

Plastics

Raw materials move into more predictable phase

by Rae Mazengarb

WHILE skyrocketing raw material prices and serious supply problems threw the plastics industry into confusion last year, 1980 should present a more predictable supply and price situation.

And raw materials representative on PINZ Brinn Pickering predicts prices will move by 10-20 per cent through the year.

But some materials should

remain in tight supply, he said, the most noticeable at present being high density polyethylene, which seems very close to a balance between supply and demand.

Any shortfall on our local scene could be made up from supplies which are available from less traditional sources - but at higher price levels.

Supply of low density polyethylene has eased compared with last year, but has settled in close behind HDPE

with prices once again firm, Pickering said.

Polypropylene homo polymer enjoys the easiest supply situation, mainly because of the new plants coming on-stream in Australia, but even in this case there is no sign of prices easing.

PVC resin supply levels are expected to be similar to 1979 and prices remain stable as we move into the second quarter.

This will reflect the PVC compound supply and price situation. Generally, oil prices may be expected to rise and other costs should increase.

Freight rates, wages, high inflation and interest rates all take their toll, and it is to be expected that these will be passed on into the prices to be paid for raw materials.

While some prices have been stable for the past few months, assuming no major upsets and the supply and

demand balance remains as expected, prices should move a further 10-20 per cent through 1980.

This does assume, however, that Opec prices move no more than 10 per cent.

Pickering said that in general, there is a fairly close balance between supply and demand, and therefore prices would remain relatively firm.

But there are other contingencies. Because of the in-

creasing value of the American dollar - and most materials are purchased in it - there has been a price increase, though not substantial one.

Manufacturers in sectors are still reporting difficulty in providing supply prices for finished products. They say that some raw material suppliers have not been prepared to quote prices far beyond one to two months ahead.

T & I checks out feasibility of taxing packaging

by Rae Mazengarb

THE Department of Trade and Industry together with the Commission for the Environment, is investigating the feasibility of a package tax system on retail beverage containers, paper products and lubricat-

ing oils.

But officials do not want to talk about it yet; rather they say it is still an "in-house" matter, and they propose to produce a document for "wide discussion" around July this year.

Yet the issue is worrying the New Zealand Litter Control Council (LCC), since the question of taxes on packaging materials was the very basis on which manufacturers originally agreed to voluntarily support the council.

They felt that voluntary support, by way of membership subscription, was far preferable to taxes on packaging.

So the council, which is supported by the Ministry of Internal Affairs, is naturally

concerned about the possibility of a departure from the system.

But without full knowledge of what is behind the investigation, it is not willing to over-react.

Executive director Alistair Miller said: "We won't know the full implications until we see the report." But he said, the concept being discussed is "fraught with problems".

The council's main concern was that it had raised funds on a voluntary basis, and industry had responded.

A system such as a product charge not only has repercussions for the customer, but implies a double tax system.

"We believe the market should set its own price, if recycling costs are to be incorporated into production," Miller said.

Chairman of the Industry Committee on the council, David Irving, also commented that a voluntary basis created a "caring role".

Litter Control Council members tended to associate themselves with treating the problem of waste disposal. A move to a compulsory taxation system would damage this involvement, he said.

The tax also has implications for the ratepayer - who already pays a contribution towards waste disposal. A further charge at the retail end is viewed as inequitable.

Economist Dennis Rose has already been contracted to undertake a feasibility study, and has visited several companies involved in packaging to discuss the matter.

Watties Industries, for example, have been told that a product charge of \$20-\$30 per tonne for tin plate would be appropriate under the tax system envisaged.

This works out at about 6.5 per cent of the cost of tin plate and by the time the cost is passed on to the retail level, it would mean an effective increase of 15 per cent on retail prices.

Terms of reference for the preparation of the discussion document are:

a) Discussion of the product charge concept and other economic instruments for improving waste management;

b) Description of overseas investigations into the concept and other existing or proposed schemes (plus legislative and administrative framework required);

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

"It was to consider some of the 'ill-informed' information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

It was to consider some of the "ill-informed" information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

• Description of the economic impact of taxes and subsidies on recycling and waste management in New Zealand.

• A detailed discussion of the implications of a product charge concept - including case studies - particularly with regard to products and packaging materials.

The results will be a series of likely effects on consumer price and waste impacts, estimated policy charges, administrative and policy options for employment of revenue generated.

An explanatory note on the product charge: "The intended to impose on the producer and the consumer amount sufficient to cover subsequent cost of collection and disposal of the discarded goods and/or packaging to make good any residual damage to the environment."

The note says that to the practical application, such a concept has been limited to a West German on production and importation of lubricating oils, the revenue from which is applied in subsidising oil-refining or other disposal of waste oil.

The Manufacturers Federation and the Plastics Institute of New Zealand are determined that such a system should not find its way to the country. PINZ members have been told if they have not already done so, they should take up membership of the Litter Control Council.

Institute members have also been advised that they should deal with the consultant economist through the institute.

T & I officials did not expect such a reaction.

An official said the study was merely part of the general research/information resource conservation which the department has been engaged in.

"It was to consider some of the 'ill-informed' information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

It was to consider some of the "ill-informed" information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

It was to consider some of the "ill-informed" information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

It was to consider some of the "ill-informed" information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

It was to consider some of the "ill-informed" information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

It was to consider some of the "ill-informed" information," he said.

The department expects the study will be completed by mid-April by which time it will be in the position to, and be releasing some information.

The full report is set for July. Asked the cost of the programme, the official said it had not yet been settled but it was "very small".

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

Incorporating Admark

75 cents

Inside

THE WEEK

Carter-Holt directors tight take-over bid - Page 3.
DFC brings in Saudi prince to help budget the investment gap - Page 5

COMMENT

Editorial: Without word of a lie, Bruckner's view - Page 6.
Planning Council publications' presentation quailed by Ian Douglas, and Margaret van Hatton appraises the effectiveness of the EEC's Common Agricultural Policy - Page 7.

Letters to the editor - Page 8

POLITICS

The Values Party - 60 odd characters in search of an author - Page 9

ECONOMICS

March tax payments drain banking system - Page 11.

MEDIA

Ex-REM man knew advertising as "bunnies" - Page 12

SCIENCE AND TECHNOLOGY

Seminar analyses ultraviolet light problems - Page 13.

O'BRIEN ON BUSINESS

Arab connection raises xenophobic response - Page 14.
Analysing annual accounts: Dunlop (NZ) - Page 15.

OVERSEAS TRADE

Research seeks to revolutionise furniture industry - Page 17.

INDUSTRIAL RELATIONS

Labour Minister Jim Bolger emphasises importance of maintaining international competitiveness - Page 18.

PROFILE

Ron Guthrie identifies company problems - and solves them - Page 20 to 23.

INSURANCE

Chubb chief predicts that a cashless society is not on the cards - Page 25.

MARKETING

Dairy industry turns up a butter strategy - Page 29.

HEALTH

Social banes anorexia on smokers' tenacity - Page 27.

NATIONAL BUSINESS REVIEW

Competition controls split the insurance industry

by John Sloan

THE fire and general insurance world is in turmoil over the recently implemented "follow the lead" agreement.

The Insurance Council of New Zealand devised the scheme that is causing all the heartburn in a bid to control rampant competition in the industry. But many insurers have refused to sign the agreement.

The Trade and Industry Department - and perhaps other Government agencies - are understood to be examining the agreement to determine if it is a restrictive trade practice within the terms of the Commerce Act.

Insurance Council executive director Trevor Roberts last week declined to discuss the agreement or explain what the scheme involves.

Some people have questioned the wisdom of putting such a contentious agreement in print.

One company manager said the agreement is "an indictment in the insurance industry... we are supposed to be professional yet we introduce and try to enforce an agreement such as this..."

Basically, the agreement provides that when multiple insurers quote for the same risk, the premium rate fixed by the "lead" or "holding" insurer will be followed by all quoting insurers.

This seems a logical approach to control irresponsible competition. But it also looks like an attempt to stifle true competition.

That is the nub of the problem and explains why many insurers have refused to accept the scheme.

Without uniformity in the industry, competition will

continue. But in some cases it will be controlled, in other cases it will be open slaughter.

Insurance brokers have mixed feelings toward the agreement. Some say it doesn't concern them. Others say it might restrict their freedom, enabling them to complain to the appropriate Government authorities.

The insurance manager of one major industrial enterprise said: "Our legal departments are itching to challenge the validity of the agreement."

Some industry sources say the agreement is intended to protect insurers and brokers who have slashed rates over the past few years but now want competition restricted to protect themselves.

Clients' reaction to the scheme vary. Some recall the "tariff" and "non-tariff" days when tariffed companies quoted a fixed rate.

But often non-tariff companies were cheaper, and, when confronted with the cheaper non-tariff quote, tariff insurers would agree to meet the lower quotation. This charade meant that insurers were "used" and played one off against the other.

The rigid tariff system controlled competition, but the premium structure was based on ancient precedents.

The new "follow the lead" agreement looks suspiciously like the tariff system. Again, insurers and brokers agree that suicidal competition is undesirable but when a measure of control is introduced it is either supported, abandoned or violated.

Already tactics are being devised to defeat the intentions of the "follow the lead" agreement. Many plays are simple and hard to detect.

An insurance account may

be transferred, ostensibly on the grounds of service, facilities, technical expertise and police coverage. The premium is secondary, and may even be the same as that of all other underwriters.

But after the insurance is transferred and the first settles the premiums are subsequently "negotiated" to achieve a reduction - which the client was after all along.

Even if the "follow the lead" agreement is used and abused, it does permit a shred of sanity to influence the insurance industry.

The industry responds to the pressures of commercial and domestic demands.

It is easy to bait the industry by describing its wounds as self-inflicted. But when the industry adopts measures to prevent further injury, it can be castigated for restricting competition.

Over the past three or four years, when other industries were increasing their charges, fire and general insurers were

forced into reducing theirs.

In spite of all the talk about self-insurance, the foundation of all companies' risk management programmes remains insurance. That is why a strong industry is needed - not one that has been bled dry by self-generated inter-industry warfare.

The "follow the lead" agreement may ensure that cut-throat competition does not destroy the insurance industry.

The combination of New Zealand's negative growth rate and the over capacity in the local and international insurance markets has proven fatal. This has meant that many companies have been quoting blind just to obtain business.

In an industry where competition ranges from fair to cut-throat and to downright nasty, the move to introduce voluntary controls is, to say the least, contentious.

The agreement effectively creates two quoting sources. If

one quote is requested from the companies who follow the agreement, theoretically they would quote the same premiums. But the quotes supplied by the insurers who do not follow the agreement could be lower.

Under the agreement, insurers are obliged to divulge claims experience and premium rates.

The latter requirement is causing problems because insurers who have refused to accept the agreement, do not feel obliged to reveal premiums to competitors.

Establishing market rates for hazardous or capacity risks is an accepted insurance practice. But blocking free competition on medium non-hazardous risks is bound to be unacceptable to most New Zealand businesses.

And many large clients are unlikely to put up with efforts to restrict them obtaining a truly competitive quotation.

Videotape technology is changing rapidly...

YOU CAN'T AFFORD NOT TO HIRE VIDEO EQUIPMENT...

Spiralling costs, hard to get licenses, and constant updating... all make equipment hire the rational choice.

We have a team of specialists that will ensure you get what you need, deliver and set-up the equipment to your satisfaction and provide a back-up service.

VIDEO REPLAY

Videocassette replay machines 1/2" Umatic 1/2" National, Philips and V.H.S. Colour Monitors: Video beams with 6" x 4" screen area.

VIDEO RECORD

Portapack recorder and camera 1/2" Full colour (3 hour cassettes). Portapack recorder and camera 1/2" Black & White (1/2 hour open reel).

Both operate off battery or mains.

We can also transfer existing 8, 16 and 35mm film to tape, edit out unwanted sections, add new material as required and help you put partly outdated material to further use.

Contact David Ross at 796-466.

VIDEOLIM LTD
34 Brough Street,
AUCKLAND, 3.
(It's our new address)



every day one of our ships is in one of your markets.

New Zealand Branches: Auckland 774-730; Tauranga 53-199; Wallingford 850-799; Nelson 83-014; Lyttelton 7149; Dunedin 777-201.

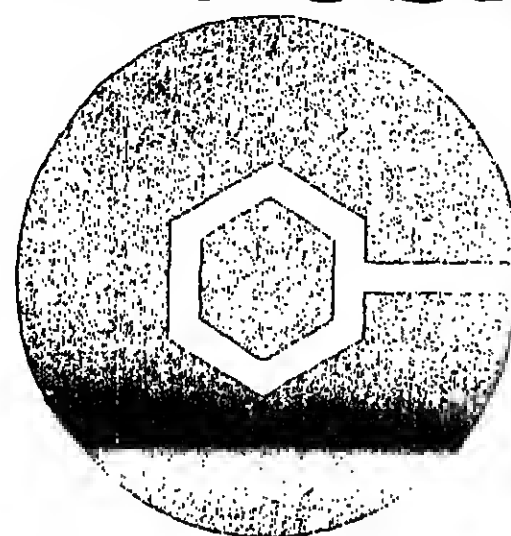
55 Colonial School
Units were audited by
Registered Accountants.

1979		1979	
1,020,000	Current Assets	2,632,324	
9,877,041	Investments	6,053,371	
1,775,461	Fixed Assets	2,104,508	
3,872,570	Total Assets		10,790,199
705,540	Less Current Liabilities	317,724	
2,704,000	Less Claims Provision	1,577,095	
2,148,961	Less Advance Revenues	3,469,611	
5,344,561	Total Liabilities		5,366,430
3,142,974	Members' Equity (Capital Reserve)		5,393,769

The Society's Accounts were audited by
 Klrk Barclay & Co. (Chartered Accountants).

Head Office: Molesworth House,
Ph. 720-902. P.O. Box 1385, Wellington.

This symbol now holds more importance for New Zealand industry.



CHEMBY
Pronounced FEMBY

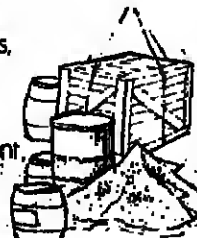
On April 1st, three major member companies of Chemby Industries Limited adopted the parent company name to help build a strong national and international identity for the group, and further establish themselves as market leaders in the supply of chemicals, raw materials and machinery essential to industry. This greater bonding under the Chemby banner means that manufacturers and processors at home and overseas will enjoy even greater product quality, range and service than they received in the past.

Buckley & Young Ltd.

Group marketing arm supplying imported & locally made chemicals, raw materials & machinery to New Zealand & overseas industries including plastics, textiles & tanning, wool processing, pulp & paper, paint, rubber, printing inks, distilling, foodstuffs, toiletries and household products. Is Now

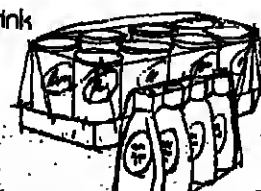
CHEMBY MARKETING LTD.

Smith Manufacturing Co. Ltd.



New Zealand's foremost producer and exporter of shrink and stretch-wrap packaging machinery and systems including the latest 'ECONOMASTER' made under licence to INFRA-PAK of Canada. Is Now

CHEMBY ENGINEERING LTD.



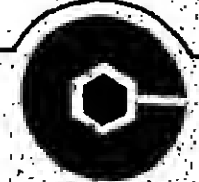
Colour & Synthetics Ltd.

Manufacturer of important base chemicals for shampoos and detergents, paint driers, paper and pulp mill defoamers, pigment finishes for leather and many other industrial chemicals. Is Now

CHEMBY CHEMICALS LTD.

Other members of the Chemby Group involved in the nation's export drive directly or through meeting the material or machinery needs of our important primary, processing, manufacturing and engineering industries are:

ANNETT & DARLING LIMITED ... World-renowned wool-processing equipment
FERRO PLASTICS (NZ) LIMITED ... Plastics masterbatches and ABS compounds; fibreglass gelcoats
AUTOPLAS INDUSTRIES LIMITED ... Household and industrial plastics
BFGOODRICH CHEMICAL (NZ) LIMITED ... PVC compounds



CHEMBY INDUSTRIES LTD.
AUCKLAND, WELLINGTON, CHRISTCHURCH, TIMARU, DUNEDIN AND MELBOURNE

Meaning more to more New Zealanders

The week

DFC flings out red carpet for Arab investor

by Warren Berryman

THE Saudi-New Zealand Capital Corporation, a \$20 million joint-venture between Saudi Prince Nawaf Bin Abdul Aziz, the Development Finance Corporation and unnamed New Zealand interests, is seen by the DFC as a means of providing the equity finance for growth industries which is unavailable on the local capital market.

The company, to be established within two months, will be 50 per cent owned by Aziz, 25 per cent by the DFC, and the remaining 25 per cent offered to local investors.

DFC general manager John Hunn said the Capital Corporation would be primarily interested in large equity investments in energy, farming, fishing, general manufactur-

ing, forestry and tourism. Smaller projects, involving inventions and high technology would continue to be handled as usual by the DFC itself.

The Capital Corporation's gearing would be low, as the preponderance of the money would go into equities — not debt finance, Hunn said. "It will be structured in a way so that when we fill up the portfolio with, say, \$20 million worth of investments on the asset side, and we see more opportunities, we increase the capital of the company to increase the whole size of the operation."

The company would be free to deal in the money market like a finance company, he said. But the short-term money management side of the operation would only be a

minor part, handling monies received from overseas until they were placed in equity investments.

Estimates for equity investment needed in New Zealand's energy projects over the next decade run between \$2 and \$5 billion.

Hunn points out that the Manufacturers' Federation projections show that total capital requirements will run to \$4 billion a year by 1984-5. Hunn said that to finance this sort of capital requirement internally, New Zealand would need savings of about 25 per cent of GDP. Present savings are only 21 per cent of GDP and the trend is deteriorating. "To bridge the gap we obviously have to go overseas," Hunn said.

Total New Zealand investment has fallen from the traditional 23 per cent of GDP

to 18 per cent over the past five years and promises to deteriorate further with the growing inflation.

This dearth of local capital has, in part, resulted from the Government sucking the system dry of the investment capital needed to finance our future in order to keep Government expenditure running at about half the GNP.

This has left nowhere to turn, but overseas. Merchant bankers claim they have had overseas investors willing to place money in New Zealand. But borrowers have been unwilling to take the exchange risk on overseas funds.

The prime interest rate on American dollars is now 19.75 per cent in New York. Add to this 1 per cent for exchange risk cover, and the money would cost the New Zealand blue chip borrower at least 21 per cent a year.

The Capital Corporation is dealing in equity finance not debt finance. But Aziz must have seen the potential earning here at least as compet-

itive as with this prime rate interest. Hunn said Aziz was presented with sample earnings from large New Zealand companies. These earnings, he said, did not stack up badly in the world-wide investment market.

Aziz considered at least six proposals — some debt, some equity finance proposals — before plumping for the Capital Corporation scheme, Hunn said.

Apart from strict financial considerations Aziz saw New Zealand as a secure stable country which he liked and this was a factor in his decision, Hunn said.

Hunn said the investments of interest to the Capital Corporation would be large — at least six figures.

He said he could neither detail any investments being considered, nor name the New Zealand companies that would be taking up the 25 per cent local shareholding in the corporation.

Apart from bridging the gap between investment needed and local capital available,

the Capital Corporation would fill the role of merchant banker dealing in venture capital.

Besides the DFC, New Zealand has no merchant bankers other than in name. Merchant bankers overseas back ideas and concepts with equity as well as debt finance. They often back a company with little or no capital other than its ideas, dreams, or patented invention. This sort of investing requires involvement with the borrower and a lot of research into his schemes.

Our "merchant bankers" tend to look only as far as a borrower's accurate assets and lend accordingly, taking little or no risk on new ventures. Often this means money flows into unproductive home mortgages rather than into ventures with the potential to create new wealth and employment.

According to Hunn, the Capital Corporation will fill the gap left by local merchant bankers and finance companies in the venture capital market.

Local advisers aid Saudi prince

WHEN Saudi Prince Nawaf Bin Abdul Aziz visited New Zealand last year, he was accompanied by New Zealand-born Hong Kong businessman Pat Samuel and Sir Geoffrey Roberts, former Air New Zealand chairman and present chairman of Kaipara Oil Refinery Ltd.

Every effort was made to give Aziz royal treatment during his visit. Senior civil servants and politicians busied about and Auckland's plush watering hole, Club Mirage, rolled out a brand new red carpet for the prince's arrival.

Three seats on the board of the Saudi-New Zealand Capital Corporation are re-

served for Aziz, Sir Geoffrey Roberts, and Pat Samuel.

Informed sources say that both Samuel and Sir Geoffrey helped set up the deal with the DFC, with Sir Geoffrey acting for Aziz in New Zealand after the prince left the country.

Samuel, apart from being adviser to Aziz, is deputy chairman of Southern Pacific Properties of Hong Kong, which owns Travelodge. Southern Pacific Properties is owned by Arab arms merchant Adnan Khashoggi through his Triad Corporation.

Khashoggi in the past, has expressed interest in investing part of his billions in New Zealand.

But John Hunn, general

manager of the DFC, said Khashoggi's name had not been mentioned in the Capital Corporation deal.

Hunn said Aziz had considered bringing in some of the Saudi royal family into the deal but had finally decided just to invest his initial \$10 million share of his own but.

Aziz will be investing through a company called Bellingham, Hunn said he had not yet all the information on this company but understood it was wholly owned by Aziz.

The prince is not interested in a quick return on his New Zealand investment, Hunn said. "He is only interested in the long-term sort of return New Zealand companies are making."

Fletcher's buys remaining assets

GREGORY Developments Limited — the Wellington development company which went into receivership in July 1979 — has sold its remaining assets to Auckland-based Fletcher Residential for over \$1.5 million.

Receiver Don Francis of Hutchison Hull Co confirmed the sale last week.

Gregory Developments was formed in November 1977 by Gregory Homes Limited, with

Fletcher Residential taking an equal share in the venture.

After the development company went into receivership, its parent Gregory company found itself in similar difficulties — unable to service its own mortgages without income from the other.

At that time, Fletcher's made a commitment that all development creditors would be paid.

There have been problems in sorting out the company's

affairs, and Fletcher's apparently decided it would simplify things if it put in a bid for the remaining assets. Part of the arrangement was that the unsecured creditors contained in the statement of affairs would be paid.

Meanwhile the sale of the assets in Gregory Homes is continuing.

Gregory's managing director Pat Brodie was not available for comment.



chairs and seating for the executive.



Zip Commercial Interiors

A DIVISION OF ZIP HOLDINGS LTD.

27 Sile St. Auckland 101 782-104
414 Toi Road P.O. Box 845 Wellington 722-771
77 Thimble Quay P.O. Box 845 Wellington 722-771
39 Manchester St. Christchurch 633-937
292 Kaitiaki Valley Rd. P.O. Box 242 Dunedin 770-620

Our group health benefits are unfair

to our competition — which means they're very fair to you.

Group Health is our name and health care cost protection is our job. A job we've been doing well for over 10 years — paying benefits to thousands of individuals and members of employee groups without hassles, without causing headaches.

Maybe it's time you studied or revised health care cover for you and your staff. Did you know, for example, that we are the only society that rebates 90% of the actual cost of both surgical and medical hospital costs? And that's for any member of the family affected — not just the executive or employee.

We do better by offering flexible "benefit units" so you can meet the soaring costs of surgical or medical needs. And we are known to do better in the way of introducing benefits such as sterilization or oral surgery.

A get together with one of our representatives will prove worthwhile. You'll discover why unfair is fair. For you, your family, and your staff.



Group Health we do better for you

Group Health Co-operative Society Ltd.
HEAD OFFICE, ELIZABETH STREET, PRIVATE BAG, TAURANGA

Phone: Auckland 771-556, Wellington 735-312, Christchurch 64-930, Dunedin 770-620.

A non profit co-operative society affiliated to the International Federation of Voluntary Health Service Funds.

Editorial

THERE has been a healthy debate over the last few years about economic restructuring and the Government has responded by giving effect to an acknowledged need to loosen the regulatory grip that has stifled enterprise and economic growth.

The textile industry report brought out into the open the case for restructuring an inefficient industry. The plan might not please everybody, but it does allow the public to see what has been proposed for overhauling the industry, and the resultant dialogue should enable the Government to make the most prudent decisions for the national good.

In stark contrast, there has been scant public participation in the decisions that will determine what use will be made of our energy resources.

Without reference to what the public might want, the Government is proceeding to build a methanol plant. It's secret deliberations were challenged in a series of articles in the *Dominion*. The Prime Minister scoffed at the facts the newspaper presented, but refused to enlighten the public by stating where the articles were in error until more than a week after the decision had been taken in favour of the Petrocorp scheme. From then his statement raised many questions as it was read.

Similarly, the public is denied data relating to the proposed development of more aluminium smelters.

Professor Paul van Moeseke, professor of economics at Otago University, maintains that another aluminium smelter anywhere in New Zealand would cost more in imports and inputs than it would earn in foreign exchange. The professor's case is based on a sound economic argument, and he has been handicapped only by

being able to work with data publicly available. He maintains that another aluminium smelter built anywhere in New Zealand would be an economic disaster in terms of the national interest. It would constitute an extravagant waste of resources, require massive subsidies by other electricity consumers and involve about 37 times the average industrial investment required for each job created. The study challenges notions that cheap hydro power is a trump card for industrial development and criticises the concept of an electricity surplus.

In a nutshell, it shows that an aluminium smelter anywhere in the country at anything less than 3c a unit for electricity (Comaleco pays 0.7c at Tidal Point) would be a charge against the public purse.

The Government has been eager to show him down, while doing nothing to encourage proper public understanding of development proposals with profound implications. Trade and Industry Minister Lance Adams-Schneider said that the Institute of Economic Research had made similar independent studies. The Institute — according to the Minister — has made studies that its research shows "substantial" national benefits. Alas, the report is not his to release; it was commissioned by a private firm which engaged the Institute to undertake a feasibility study to show what national benefits would result from its project.

The Department of Trade and Industry has undertaken a study involving all development proposals before Government — but this was "not designed for public consumption". And unless it was "obviously in the public interest", it will remain secret.

Adams-Schneider asked that Dr Moeseke make his calculations available to the Department of Trade and Industry "to enable a more detailed analysis of his comments to be made." All information is to be collated, commented on (by whom?) and presented to Cabinet for a decision. And such a process Government can feel off the professor; the professor will get nothing in return to enable him to revise his work. And the public's understanding of the worth of another aluminium smelter is confined to its degree of scepticism about Ministers who cannot produce facts to support their patronising reassurances.

Of course, the Government is welcoming big projects because the bureaucrats who plan our power needs hinged behind doors locked from public scrutiny. The result is a power surplus of embarrassing dimensions to a Government which is grossly overcharging ordinary consumers. The Government has decided what should be done with the surplus, and if it isn't careful it is likely to commit the country to a series of developments that quickly turn surplus into deficit.

When there is a surplus, there may be cause for selling it cheaply (to whom is the cry question). But it would be scandalous to sell power at bargain prices if there is a supply deficit. So exactly what does the Government's data show? And what prices is it prepared to offer to encourage energy-guzzling projects?

The Government is undoubtedly advantaged by having more information at its disposal than the professor or the public. But whether the Government's study is better than the professor's is open to question.

If the Government wants to give people the

information to contribute to the industrial restructuring, it must make them involved in something worthwhile. But it is counter-productive to let the public think only certain favoured groups are being given access to the country's resources and to a decision-making process that shapes the high permit resource development. These are excluded from this process have no voice, exert themselves to help implement Government's plans. This secrecy is not productive.

The Government further discourages by its plans when it changes the ground as it did in passing the National Development Act — to favour some and not others.

Above all, the idea of favouring selected businesses is inconsistent with the principles which the National Party espoused. The policies now being pursued behind closed doors mean that businesses not the marketplace, make crucial decisions. Much worse than these business decisions making isn't necessarily a better when the decisions are made in a different way.

And so we are put at the mercy of elites, whose competence in the past in power requirements is the fundamental basis of the country's industrial structure. The politicians who didn't do it, each servants enough to the past, are along with the nation they alienate. And the public can go bang.

td

Planners' policy paper stumbles into irrelevance

THE Planning Council has a presentational problem with its publications.

Its chairman, Sir Frank Holmes, has pointed out that while some of its published papers represent official policy, others are just intended to stimulate discussion and cannot be regarded as carrying the imprimatur of council endorsement.

Apparently its most recent document, written by "Dr P J Lloyd and others", comes within the latter category. In this case, I would hope that the lack of council endorsement of its recommendations reflects more than the technicality of the paper's status, but recognises also its irrelevance as an exercise in the serious business of giving advice to Government.

The paper is as long-winded as its title (*New Zealand's Long-Term Foreign Trade Problems and Structural Adjustment Policies*) and provides rather heavy going for the lay reader. Any discussion stimulated by it is likely to be confined largely to the technical cognoscenti.

Comments I have heard from within the ranks of analysts are in several instances open to serious question. There are allegations of inconsistency in definition, leading to invalid comparisons, the use of dated figures and so on.

I am not competent to discuss these technicalities. My concern is with the basic rationale for the paper and the contribution it can make to policy formulation.

The paper's preface seems to disclaim any objective of giving policy advice. Lloyd states there that the paper does not recommend specific policy changes. He adds: "Rather it lays

out a menu of choices from which a selection must be made in the light of future events and knowledge of societal preferences and the relationships within the economy."

Have we, then, a *renaissance* — an economist who, within the scope of 124 closely typed pages, can refrain from offering advice?

Sadly or happily — depending upon your point of view — that seems not to be the case. Perhaps by the time he had reached page 61, Lloyd had forgotten his preface sentiments, for there he recommends firmly the abolition of import licensing. On page 66, he proposes that this step, together with "reform of the tariff and the structure of export subsidies" should take place within a framework of three to five years. Herein, I believe, lies its basic irrelevance of this paper as a policy guide.

Government has already made clear its broad policy approach to the restructuring of the manufacturing sector. There are two key documents in this respect — the 1979 Budget and Government's response to the Industries Development Commission's plan for the textile industry.

Neither of these historic documents seems even to have been considered by "Dr P J Lloyd and others", except for an analysis of the new export incentives which the Budget introduced.

It may be that the timing of the textile plan announcement was too late for the authors' copy deadline, but no such excuse could be offered in relation to the Budget.

The 1979 Budget marked the end of a policy era in industrial development. That era, dominated by the thinking of the late Dr William Stutch, saw the rapid development of im-

port-substitution industries, highly protected by quantitative controls. The main criteria supporting this policy were exchange saving and employment creation for a fast-growing workforce.

The implication of the import licensing flexibility provisions introduced in the 1979 Budget (and completely ignored by Lloyd) was that no more import substitution industries that are highly uncompetitive internationally, would be allowed to set up. The question of what to do with the body of industry that grew up under the old criteria will be dealt with by the industry studies programme, for the completion of which the Budget set a timetable.

The IDC report on the textile industry has been the first of these studies to emerge and it almost certainly expresses the broad philosophical approach to industrial development that we will see in the studies of the 10 other industry groups named in the Budget.

Summed up, this approach would seem to say: "Identify the industry's strengths, construct a development plan to build on those strengths, especially for export; tackle the problem of input costs by bonuses, where appropriate, and by providing imported substitutes; move out of those areas where the degree of inefficiency by international standards is too high to justify."

The Budget made it quite clear that import licensing would remain, at least for the foreseeable future, but the flexibility provisions it introduced are resulting in the reduction or the elimination of some of the inhibitions to inefficiency that the administration of licensing has produced and from which manufacturers have been the main direct sufferers.

The structural change that is now occurring in manufacturing, both as a result of Government policy and as a reflection of market forces, is of major significance — but one would get no hint of it from Lloyd's paper.

The Government has already given its broad signals on restructuring to the marketplace. Many major ministerial statements have transmitted the message and the Manufacturers' Federation has given a lot of time to helping its membership recognise and interpret accurately the implication of Government policy.

The Lloyd paper seems to be a studied exercise in ignoring these factors. Instead, it proposes that Government flash a set of wholly new signals to the marketplace. If Government were disposed to accept this advice — and clearly it is not — the result would be rampant confusion, detrimentally affecting investment decisions and business operations generally.

In the American vernacular, it would be a hell of a way to run a railroad.

It may be vanity to suggest it, but I would like to feel that the recent indicative planning exercise by the Manufacturers' Federation, charting an export-led growth strategy, will be far more significant in the context of economic development and structural change than will the rather pointless exercise indulged in by "Dr P J Lloyd and others".

Ian G O'Connell is director general of the NZ Manufacturers' Federation.

Without word of a lie

Passing on the good news

OGILVY & Mather no doubt were thrilled to have been among the winners at the INL Newspaper Advertisement of the Year Award (the first of its kind in New Zealand, sponsored by Independent Newspapers Limited).

Ogilvy & Mather won the Chairman's Award, plus the top awards in the automobile and automotive equipment, transport, category and the agricultural and horticultural categories. And it was the finalist in a number of other categories.

If you missed the results in *NBR's* Admark column on March 31 and you happen to have a copy of the INL-published *Evening Post* of March 27, you can read all about Ogilvy & Mather's triumphs in a full-page display advertisement. They are recorded under the headline:

Ogilvy & Mather judged the most creative advertising agency in New Zealand.

Plumbing the depths to cut costs

OUR editorial two weeks ago about vague ministerial statements and, too often, their lack of candour was bound to prompt readers to toss a few more examples into our net. And one of the best involves our good friends at the Department of Agriculture and Fisheries.

On February 7, Agriculture and Fisheries Minister Duncan MacIntyre announced that Whangarei Engineering Company had won a contract of more than \$1 million to build a new fisheries research vessel.

When an inquiry was made as to just what more than \$1 million meant, the answer was given: \$1.3 million.

On March 25, Radio Avon reported the signing of a contract on February 21 for \$2.2 million. And that was \$75,000 below what Whangarei's tender price had been. The price was dropped after some design modifications and a change of equipment brands.



The 28-metre vessel is due for completion in April next year. And we hear that shower facilities and a women's toilet are likely to be among the mod cons that the boat doesn't boast when it eventually puts to sea.

NBR takes to the stage

WE tend to refute charges that we lead our readers a song-and-dance with our reporting. But the *Rotorua Post* obviously is unconvinced.

Reporting on our Supreme Court action to have an injunction order lifted, the *Post* twice referred to us as the *National Business Review*.

What the CPI doesn't record

WITH the Consumer Price Index showing a 3.9 per cent rise for the March quarter and an alarming 18.4 per cent for the year to March, the Government is sure to be looking at ways of curbing such rapid inflation.

But here's hoping that whatever the result, they aren't as facile as some of the ideas being bandied about by *Miracle Man* MacIntyre.

Interviewed by NZPA reporter John Barlow early this month, Muldoon said: "I have no doubt whatever shifting the tax burden from direct to indirect (taxes) would lower the inflation rate over a period because we could put indirect taxes on items that are not heavy in the Consumer Price Index."

No doubt he thinks we're pretty gullible that we'll swallow that particular line so surely!

RECENTLY the European Parliament, reflecting concern in the majority of EEC member-countries, began calling for a total overhaul of the community's spending policies. Under the present system the Common Agricultural Policy (CAP) receives three-quarters of all Community monies. But just how attractive is the CAP as a *de facto* regional and social policy? Margaret van Hattem of the *Financial Times* gives this appraisal.

THE European Economic Community last year spent the equivalent of £2.3 billion (11.4 billion European Currency Units) on storing its surplus wheat. That is more than it has spent on its poorer regions through the regional development fund in the past five years.

A main argument in favour of spending three-quarters of the Community's budget on the Common Agricultural Policy (CAP) has always been that it is much more than a farm policy — it is also a *de facto* regional and social policy.

But just how effective is this policy in creating employment and stimulating regional growth?

And might it not be cheaper to make direct payment to farmers, rather than take the long and tortuous route of price support, which runs through so many traders and entrepreneurs before it reaches the farmer or worker in a tomato canning factory?

The 10.7 billion ECU spent last year on the Common Agricultural Policy, say its advocates, kept many marginal farmers in poor regions on the land. It also had a substantial spin-off effect on the shopkeepers, mechanics, vets, electricians and builders who swell the rural work force.

Stimulated production, hence employment, in transport, food and animal feed processing, and in farm equipment manufacture and kept the regions alive.

However, say their opponents, transport, food processing and machinery production are becoming so capital-intensive and technologically advanced that they create far fewer jobs than is thought. Of that 10.7 billion ECU, less than 5 per cent went directly to the farmers; nearly half was paid to traders to top up export prices, 14 per cent to storage companies, and the rest to food processors and co-operatives.

Price support money does eventually filter through to farmers, they say, rather like whey gets through cheese cloth: the substance is left behind.

The truth is probably somewhere in between. The agricultural policy system of guaranteeing a minimum price on unlimited quantities of butter, skimmed milk powder, wheat or beef enables the traders, manufacturers and co-operatives which sell into the intervention stores to buy everything the farmer grows at a much higher price than is paid anywhere else in the world.

National governments help the farmer-entrepreneur with grants, tax relief and interest subsidies, and the farmer-worker with social security payments. They spent twice as much on their own national policies last year as they did on the agricultural policy.

"There's no such thing as a poor farmer," says the Community official in charge of markets. "There are some low-income farmers, but even these have more capital assets than the average non-farm employee." Thank's to the agricultural policy, farmers enjoy a security denied to most workers and investors in the Community.

The justification for the high subsidies is that their benefits spread far beyond the 8 per cent of the Community work force who work on farms. The boost to farm incomes is multiplied as it spreads, stimulating demand for goods and services through the whole economy.

Studies in Ireland indicate that the value of increased farm exports is multiplied by 1.8779 by the time it works its way through the economy to the gross national product.

On this basis, Dr E A Atwood, of the Irish Ministry of Agriculture, calculates that the 1226.4 million Ireland received from the farm fund in 1978, with an estimated extra 12340 million earned by exporting at Community rather than world prices, boosted Irish gross national product by more than 121 billion — around 17 per cent.

High Community prices have particularly benefited the Irish food industry. The gross output of companies producing dairy products, beef and lamb rose from 12283 million in 1972 (the year before Ireland joined the Community) to 121,357 billion in 1978 — a real growth of 120 per cent.

Not everyone does as well as the Irish. Although farm incomes in the Community rose by an average 11 per cent in 1978 (2.9 per cent in real terms), regional incomes will vary widely.

In many cases they are drifting further apart. Farmers in the Ile-de-France earn six times as much as those in the Limousin region; the farmer in Hessen less than three quarters of the average in Schleswig-Holstein; the Welsh farmer just over half what the north-eastern English farmer gets.

The price support mechanism is an inefficient instrument of social and regional policy. It often helps the rich regions more than the poor, the capital-intensive more than the labour-intensive enterprises.

It is, after all, a market mechanism, and is operated day-to-day in Brussels by a handful of officials totally unqualified to assess the social and regional implications of their decisions. The Community, by spending 72 per cent of its budget on price support, concentrates a disproportionate amount of power in their hands. But the price support mechanism looks like

continuing to be the Community's main instrument of regional and social policy until that day when prices are cut to make room in the budget for a more equitable system.



Brings New Zealand to the world



The OCL fleet of modern container ships plays a vital part in New Zealand's import and export trade. Fast, reliable, and with substantial container capacities they provide a link with the valuable markets of the United Kingdom and the Continent. You can pick the OCL ship by the "Bay" — Botany Bay, Remuera Bay, Resolution Bay, Mairangi Bay, and others... calling regularly at New Zealand Ports.



The International Trade Mark

OCL are represented throughout New Zealand by P&O SN Co.

NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor

News & Features:
Colin James, John Diaper, Rae Mazenger, Balinda Gillespie, Stephen Bell, Jack Hodder.

Contributing:
Finance: Peter V O'Grady
Auckland Bureau:
Warren Berryman
Advertising Sales:
Manager: Paul A.G.S. Loh
Promotions:
Manager: Kathi Scott

Circulation:
Manager: Jan Chee

Auckland Office:
2nd Floor, Levens Building
Cnr Auckland & St. Paul Streets, Auckland
Tel: 799-304

Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington N.Z.
P.O. Box 9344
Tel: 738-876
Cables: Netbus

National Business Review incorporates *Admark* and is a registered publication weekly (except for last week December and first two weeks January).

Typeset and composed by Compulype Services Ltd, Wellington. Printed by R. Lucas & Son Ltd, 116 Kepiki Road, Papanui.

Single copies: 75 cents.
Subscription rate: NZ\$25.00
Member ABC (Audit Bureau of Circulations)

Letters

Study figures dubious

MR Berryman (NBR March 17) describes as "laudable" the justification used by the Government for "shaking up" the clothing and textile industry.

This was that the local consumer was subsidising jobs by \$130 a household a year and that the cost of keeping each clothing and textile worker employed was \$6800 a year.

Mr Berryman may be interested to know how these "precise" figures were calculated. A study in Australia apparently showed that textile prices of Australian manufactured apparel were 80 per cent higher than for Asian prices.

The IDC presumed that it would be the same in New Zealand so the magic figure of \$130 million is, when multiplied by 180 per cent, equivalent to the \$290 million volume of production in New Zealand. The \$130 million

divided by the number of textile and clothing workers gives the \$6800 and divided by the number of households gives the \$130.

These figures are dubious for a number of reasons. They work off Australian assumptions that may not apply to New Zealand. Also, they work on the presumption that clothing retailers in New Zealand would pass on all the savings to the householder. If the IDC is to draw on Australian studies, they should mention that the major beneficiary from imports to Australia were clothing retailers who enjoyed much increased margins. They should also mention the loss of some 14,000 jobs for Australians because of a Government decision to allow in imports. The Government later had to change its stance to a significant degree.

More importantly, even if the \$6800 was correct, what does it represent? It simply means that because of the shocking labour conditions and miserable wages applying

in Asian apparel companies, it is cheaper for New Zealand retailers to import apparel than buy it from domestic manufacturers. There is no way that New Zealand clothing workers want to compete with those labour conditions.

If Mr Berryman supports the policy of "make what you can make cheapest and import what you can import cheapest" then by that argument you can wave goodbye to, probably 90 per cent of, New Zealand manufacturing industries and promise these few workers who are employed, labour conditions and wages far worse than we have seen for decades, if ever at all.

P L Canway
Asst. Secretary
Canterbury, Westland, Nelson
and Marlborough Clothing
and Related Trades Industrial
Union of Workers
Christchurch

Librarians on technology

AS chairman of Mr Brian Sturt's session at the New

Zealand Library Association's conference at Lower Hutt in February, I feel I must reply to your paper's comments on Mr Sturt's session in particular, and the computer technology awareness of librarians generally.

That part of Mr Sturt's paper were too advanced for some of the audience will be understood when it is pointed out that the size of the audience was both a complement to Mr Sturt and an acknowledgement of the eagerness on the part of librarians to become familiar with the new technology.

Mr Sturt was asked by the Special Libraries' Section of the association to give a paper and it was rewarding to see the size of the audience and to realise that many public and university librarians and local body councillors (who also attend conference as representatives of the employing authorities of many librarians) attended this session. If some of the questions at the end of the session showed a lack of understanding of the

more technical points in the paper, this was to be expected. Many special librarians are already proficient in the use of computer techniques, especially in the field of information retrieval from overseas data bases. Mr Sturt was asked to speak on the use of computers for library house-keeping tasks.

During the conference, 102 conference participants attended on-line training courses, and in the week after conference, training courses were held in Auckland.

Does this sound as though librarians are dubious of a computer future?

Marjorie Warwick
Chairman
Special Libraries' Section
New Zealand Library Association

Keep bodies well tuned

EVERYONE knows that if you put the wrong fuel in your car it will not work properly. But when Denis Burkitt (NBR March 17) says we do that to ourselves the answer is: "Our experts have not yet proved it."

While working as a pathologist in Africa and elsewhere I supplied Denis with some of his data and I can confirm that heart attack and stroke, appendicitis, gall bladder disease and others are almost unknown among rural Bantu, New Guinea Highlanders and other people who live on their ancient diets free of western contamination.

Homo sapiens were evolved 50,000 years ago to live on the foods available. The diet, with some exceptions, was two-thirds vegetable and one-third animal matter. Today in the western world the ratio is reversed and with it the fibre has been drastically reduced. Refinement of carbohydrates has further altered the national diet. It is no wonder our machine sputters and stops.

For some years I have had a small group of patients already seriously affected by arteriosclerosis and other modern diseases on a diet high in fibre and very low (by New Zealand standards) on fat and refined sugars. I and they are quite convinced that they have improved.

This country needs a lot less procrastinating discussion and a good-sized trial of these ideas. Only then will the sceptics be convinced of the obvious. What seems too simple to be believed is not necessarily wrong.

S McClatchie MC MD
FRCPATH
Pathologist
Cook Hospital
Gisborne

In defence of Marsden A

AS I was closely associated with the proposal to build the Marsden A power station, the remarks in the article headed "White Elephants May be Harnessed" (NBR March 17), call for some comment.

The need to provide energy-generating capacity to make up shortages due to low river flows was recognised in 1964. The ability of generating stations to give this "make up" or "firming up" of hydro-electric capacity would be possible only if such "firming up" capacity was not used when water flows were average or higher.

This reserve energy generation capacity could have been provided by more hydro-electric stations or by thermal stations provided stations were not used when water flows were adequate.

To illustrate this point: If

river flows in the 1988-89 year happened to be as low as in the 1977-78 year, the thermal generation energy to make up the shortfall in hydro generation would be of the order of 4500 million kilowatt hours (4500 GWh). That is more than the capability of the New Plymouth station on a load factor of 80 per cent for the year.

If thermal stations were used then the fuel supply would have to be intermittent. This need ruled out the use of coal as the full load requirement of a station such as Marsden A would have been, for six months operation, nearly 400,000 tonnes.

This would have meant the opening up of a new mine to work intermittently which was not practicable or economic. In 1964 oil was the only choice. As the lead time for a change in delivery rate was four months tank capacity to hold four months full load burning rate was necessary.

The cost of building Marsden A station was \$29.8 million. If the same firming up capacity had been provided by hydroelectric capacity the cost would have exceeded \$50 million.

When planned in 1964 it was expected that the Marsden A station would operate over its life at about 20 to 25 per cent of its maximum annual energy generation capability. During the 11 years' service to March 1975, it has operated at an average load of 34 per cent.

Regarding over estimates the 1964 forecast of the energy generation in the 1973-74 years was 18620 GWh. During the 1973-74 year Government imposed a restriction on energy generation of two percent and a further reduction of one percent occurred due to a milder than average climate for the full year. The energy generated was 18123 GWh when the above mentioned reductions are taken into account the forecast made 11 years earlier in 1964 was "spot on".

In the 1973-74 year river flows were about 10 per cent below average and Marsden A station generated 1119 GWh. The planned maximum generation is 1690 GWh.

Over its 11 years service Marsden A has done the job it was planned to do and in doing so has prevented the need for restrictions in the several years in which river flows have been below average.

E B MacKenzie
Wellington

Domination not a myth

YOUR March 24 issue (The Bryn Article) contends that the overseas domination of New Zealand industry is "a myth".

On the contrary it is very much a reality, and at its peak New Zealand ignores the adverse social consequences of such domination and fails to measure them against the purely financial gains emphasised by NBR.

The ability to give or withhold finance by remote control carried with it the power to establish financial benefits to investors in Japan, West Germany or Saudi Arabia but not many or social benefits to New Zealand.

It is not suggested that we should — or could — go it alone. But foreign thumbs pulling plums out of our domestic pie are far from being "a myth". The removal of these plums is contributing to our increasingly strict social as well as economic diet.

W Roy Hill
Wellington

Politics

Sixty-odd characters in search of an author

by Colin James

"MULDOON bans SUP. Values next, hints PM," said the headline on the blackboard on the third day of the party conference at Easter, inviting people to an "ad hoc workshop" to discuss strategies to deal with the apocalypse.

About 20 Values Party faithful duly turned up to live through the New Zealand libertarian's current favourite nightmare and start building the ark.

In a way that notice sums up the plight of the Values Party, it is a small, beleaguered bunch, battered badly by the vagaries of the electorate and internal factionalism, sure they have X-ray vision into the metal fatigue in the structure of our society and certain as to how to make that structure whole again, blocked only in their mission by the pig-headed refusal of the people to get the message.

Such are the conditions of paranoia, frustration and dedication in the face of huge odds. The self-importance of the mission transcends the reality of the political marketplace.

As president Frank March said in his annual report: "The Values Party remains the only political party in this country, and one of a very small number in the world, with a holistic, ecological, socialist perspective."

"The political climate in which it has to operate is difficult — issues such as inflation and unemployment are the central concerns of people."

"They are also central concerns of the Values Party, but it is not generally seen as having a role to play in these areas. The task ahead of us is formidable."

Formidable indeed. Yet there they were, 60 to 80 nit-wits, representing a claimed total membership of 10 times that and a debt hanging over of 10 times that again.

The Values Party does seem to have a basic core after all and it does look like it will be around for a bit longer yet, even if it will not be too visible at next year's elections.

So the temptation to dismiss it entirely as a fringe movement, flirting genteely with the rhetoric (and, in some cases, the beliefs) of the mysterious twilight world of the left, should be resisted — not because one need fear (or hope for) a lunge for the levers of power, but because there is still a spark there that deserves at least passing examination.

Passing seems to be the operative word. After the eruption of doctrinaire Socialism of a Marxist kind at the conference last year, the party seems to be getting back to its earlier base of environmental concern.

The Christchurch group who last year put the party through the trauma of a bitterly fought leadership battle, which it lost, and a painful policy positioning, which it won, has largely departed.

Though the "Socialist network" of Values members it succeeded in establishing at last year's conference still exists, the group and its sympathisers are putting their energies into other fragments of the left.

Their influence is not, however, forgotten. There was a great deal of talk at this conference about "capitalism" and its coming crisis.

Speaker after speaker shared the view of Deputy leader Richard Thomson that

"we have all the mechanisms of Fascism" in place and of industrial chaplain Ron Mitchell that "we are heading directly towards greater authoritarianism".

There was much concern about the power of the multi-nationals and a recognition that in that concern they share common cause with the SUP.

There were echoes of Marx's thesis that capitalism would collapse when the tiny elite of owners of concentrated capital could no longer sell their goods to an impoverished proletariat.

After a member had despairingly regretted "capitalism's capacity to survive", one of the guest speakers, Andrew Macfar-

lane, argued that when "they" — the large companies — fail to persuade people to buy products they develop, the whole thing will blow up.

There was also much talk of socialism and clear belief that — however much some people were disturbed by such talk last year — those who were at this year's conference were "Socialist" in some sense.

But they are so in a secondary sense rather than a primary sense — they have come to "Socialism" as a consequence of their environmentalism (human and natural) rather than vice-versa.

There was much of the old Values concern about "people" — their dignity,

freedom, right to determine their own lives and so on, and the need to avoid sexism.

This last concern, deeply entrenched in an organisation which can with justification be seen as the party of articulate women in their thirties, was the basis of an upset when, at the instigation of the women on the organising committee, men and women were segregated for a workshop session on aspects of discrimination.

This apparently is perfectly normal feminist practice and was defended on the ground that some women do not speak out when men are present (on subjects such as child care, the hoot is on the other foot, as

Values men learned — as all but a handful of men

Johnston, of Coalition for Open Government fame, pointed out).

But it offended the sensibilities of Values men who try with the utmost earnestness not to be sexist and Values women who value that.

The uproar — genteel by major party standards, but explosive by Values standards — was silenced effectively by a most un-Values piece of authoritarianism from American-accented Byrdie Mann (why do unions attract Poms and the environment movements Americans?) who told them flatly "that is the way the programme will be run". It was.

Thus Values men learned — as all but a handful of men

have yet to (painfully) learn — about "positive sexism". And, no doubt, felt better "people" for it.

Which brings me back to the point I was making: that those in the Values Party who have survived the traumas of the past 16 months seem to accept Richard Thomson's view that the ecologists need the Socialists and the Socialists need the ecologists.

The marriage, shaky and suspect, has not been easy. As Thomson said, many ecologists in the party have become inactive because they saw the party as in the hands of the ecologists.

To shore up the marriage,

Continued on Page 11

from the Avery
Collection



For Abbott Laboratories Limited.
A 2 colour self adhesive label providing sharp, clear copy with simple but effective graphics.
The labels are overprinted with date and batch code information at time of label application.



Avery Labels (N.Z.) Ltd.

MANUFACTURERS OF SELF-ADHESIVE LABEL PRODUCTS
AND SUPPLIERS OF SELF-ADHESIVE LABELLING EQUIPMENT

AUCKLAND PHONE 765-148 P.O. BOX 2578	WELLINGTON PHONE 858-371 P.O. BOX 27 108	CHRISTCHURCH PHONE 883-443 P.O. BOX 10 132
--	--	--

The House of Dunhill proudly presents a new
standard of excellence in mild smoking
Dunhill Superior Mild International

Government Warning:
Smoking can endanger health.
— Low Tar

The most distinguished tobacco house in the world

WHICH SIDE IS THE GOVERNMENT ON?



All books, magazines and periodicals:
NO SALES TAX

How can the New Zealand Government possibly feel proud of its cultural policy? It only serves to encourage the mass exodus of our writers, artists, composers, producers, actors, authors and musicians. This cultural policy is severely jeopardising the future of the New Zealand recording industry and the recording of New Zealand artists.

Like films and books, records are recognised by international convention as items of cultural importance. Yet in New Zealand, records are subject to sales tax — a savage 40%.

Unlike films and books which are subject to no sales tax whatsoever.

This greatly affects profitability of record companies in New Zealand which means less money is available for the promotion and development of local talent.

THE MASS EXODUS

The Government's sales tax policy is causing a mass exodus of New Zealand talent.

Not only artists but also composers, producers and technicians are being forced to go overseas in search of work.

Five years ago, a major New

Zealand recording company had 15 artists on contract and two full-time producers. Today, the same company has only four artists and no full-time producer.

Is it any wonder that the local talent which shows greatest potential leaves the country? Is it any wonder that singers like Kiri Te Kanawa or John Rowles and groups such as Mi Sex and Split Enz become the adopted property of other countries which benefit both culturally and financially from their creative talents?

IS THE GOVERNMENT BLIND TO EXPORT POTENTIAL?

At the height of their popularity, the Swedish group Abba earned more overseas revenue for their country than other institutions including the prestigious automotive manufacturer, Volvo.



All sound recordings:
40% SALES TAX

The New Zealand Arts Council's recent report to Government puts it concisely:

"There has been little growth in the industry over recent years and reports reveal a continuing loss situation."

"The potential of modern recorded music is unable to be realised in New Zealand and the future economical returns, demonstrated in Australia's case by the \$8 million returned to Australia by Little River Band, will never be achieved."

"The fact that the recording of New Zealand artists happens at all is a tribute to the enthusiasm of many people in the New Zealand record industry and their belief in the talent of the New Zealand performer."

WE CALL ON THE GOVERNMENT TO ACT NOW

The New Zealand Government must immediately correct this cultural absurdity — where girlie magazines attract no sales tax yet Kiri Te Kanawa's works suffer a 40% tax penalty.

The Recording Industry Association of New Zealand calls on the Government to stop taxing our culture.

RECORDING INDUSTRY ASSOCIATION OF NEW ZEALAND

March tax payments drain banking system

Economics Correspondent

THE Government collects the bulk of its annual income tax revenue in one month.

And as many are painfully aware, the month when tax payments hit the hardest is March. That is when most companies and the self-employed pay two-thirds of their tax.

Compensatory deposits, to offset the March tax drain, reached nearly \$600 million, indicating that the tax bite was particularly sharp. At the same time last year, compensatory deposits were slightly less than \$400 million.

In the 1979 Budget, the Government predicted that it would collect \$4500 million in income tax revenue. For that target to be achieved, nearly \$200 million will have to be collected this March quarter.

Less than half of the predicted amount of income tax revenue had been collected by the Government in the nine months to December 1979. We will not know for sure if the Government realised its targeted collection until the 1980 Budget is published. But the size of the compensatory deposits shows that March collections were

significantly larger than the \$1728 million in the same quarter last year.

Of the \$2300 million expected this quarter, about \$1200 million would be transferred from private sector purses to the Government's coffers during a two week period beginning March 7, the final date for terminal payments.

Such a large cash flow to the Government can create a strain on trading banks. As taxpayers dip into their deposits to make the payments, the banks have less to lend.

Yet the demand for bank lending can also grow during March as some clients borrow to finance tax bills.

To mitigate the effects of the drain on trading banks, the compensatory deposit scheme was introduced in March 1978. Its objective was to stabilise monetary conditions, by smoothing out the effect of tax payments on trading bank reserve assets.

The Reserve Bank controls bank lending by requiring trading banks to keep a certain proportion of their deposits in reserve. These reserves can be invested in Government securities, but cannot be lent to

private sector borrowers. If trading bank reserve assets fall below the required level, the banks are subject to a penalty charge.

When there is a rapid outflow of deposits for tax purposes, trading banks may find themselves temporarily unable to meet their lending commitments without rashing reserve assets.

The compensatory deposit scheme allows banks to keep their reserve assets at about the same level during the tax drain period.

The Reserve Bank lodges compensatory deposits with trading banks, based on a specific proportion of the expected net flow of tax payments to the Government.

Then, when tax payments are not so great in the June quarter, the trading banks repay the compensatory deposits.

Compensatory deposits have been made to trading banks in both the March and September tax periods since March 1978.

As September is the month

when companies and the self-employed pay about one third of their income tax, the flow from the private sector to the Government is larger than normal, though not as large as during the March period.

During the September tax period this financial year, compensatory deposits made available to the trading banks amounted to \$145 million, compared with \$107 million at the end of September 1978. This was the first strong evidence that tax payments in this quarter would be significantly above the year before.

By February 1980, it seemed that March tax payments would be made in a climate of tighter monetary conditions as compared with the previous year.

The statistics for the end of February traditionally show banks and their customers poised for heavy March tax payments — customers by building up the money in their cheque accounts and banks by slowing their lending so that they have enough cash to back cheques drawn for tax purposes.

So between the end of January and the end of February, deposits not bearing interest usually rise.

This year they rose by \$142 million, which is not a substantial increase when compared with last year's deposits of \$140 million for the same period.

The tightening of monetary conditions is more clearly reflected in annual trends for deposits not bearing interest.

According to the Bankers' Association, there was only a small increase of 2 per cent in such deposits in the year ending February 1980. Last February year, there was an increase of 20 per cent in deposits not bearing interest.

So it is not clear how much this year's high March compensatory deposit payments are due to large tax payments and how much it has been necessary to compensate the banks' because monetary conditions are tighter.

When the monetary base (the source of money and credit creation) is expanding, bank deposits will be increasing. Compensatory deposits to offset tax payments do not need to be so great.

In March quarters 1978 and 1979, the money supply was expanding rapidly and compensatory deposits did not need to be as large a proportion of tax payments as they are this year.

But things are different now. The Government's own spending activities are having less influence on growth of the money supply.

The Government recognises this and has stopped borrowing internally to finance its deficit.

The impact of reduced government budget activity could have been severely restrictive during the December 1979 quarter if borrowing from the non-bank financial sector had continued at previous levels.

No new borrowing schemes were introduced in the March quarter. It is not expected that a new Government loan will be announced until this month at the latest.

In the meantime, the Government is attempting to finance more of its spending through taxation and by borrowing overseas.

And the level of compensatory deposits this March suggests that the proportion of Government spending financed by taxation is growing.

This means the Government's deficit before borrowing will be lower this year than it was last, which should please advocates of balancing the budget.

Values grasps at power of ideas

Continued from Page 9

the first two days of the conference were arranged in seminar format (intended originally to include the general public, but in the event almost entirely confined to Values people).

Guest speakers were brought in from outside to talk on technology and unions and feminism and Socialism. Workshops conscientiously discussed the issues raised. The conference began to resemble a quest for an ethos — 60-odd characters in search of an author.

Social scientist Marie Kerr put some perspective into the new technologies. Union consultant Rod Troit told them some home truths about unions (and about what he sees as a determined Government assault to weaken the

unions in readiness for sellout to the multi-nationals).

Radical Bruce Jenson and hardline Trotskyist David Bedgood told them they, too, could be really radically left if they wanted (they didn't, at least not on Bedgood's terms).

But if there was a unifying point it was in opposition to the Government's development strategy.

Corso showed an American film about the atrocities committed on economies by multi-nationals and, if anything, that set the tone for the conference.

Values intends to fight the multi-nationals on, as far as I can discern, two grounds — the rape of our resources and of our national virginity. It will ally itself with whatever organisations are also fighting

the multi-nationals, whatever their reasons.

In this way, according to leader Margaret Crozier, Values will still be about power, even though lack of numbers and resources have virtually pushed it out of election politics. Values' power, she said, will be the power of ideas.

Of course, ideas have power. But if people want to be powerful they must grasp the levers of power.

The SUP does not have a hope of the controlling levers of political power, but it has its hands on some of the levers of industrial power.

Values, small, diffuse, without a hard doctrine, does not have the SUP's hull-headed single-mindedness. It is likely in the end to resemble a protest group more than in

any true sense a political party.

Reporting back from a workshop session one woman delegate — in the tone of a young child who has discovered the naughty pleasure of dirty stories — talked of "sabotage" against big business in the campaign now being planned for later in the year.

But don't rush out and buy kneecap protectors. The fact is, Values people could not bring themselves to sabotage anything but their own outfit — and that, of course, with only the noblest of intentions.

They have not quite done that. But it is now safe to pigeon-hole them for the time being in a slot on the fringe — while the parties that can last for Government power get on with mopping up the votes they shed.



Rod Troit... home truths about unions.

Margaret Crozier... virtually out of action.

SAVE 35%
SUBSCRIBE TO NATIONAL BUSINESS REVIEW NOW.

When you subscribe to National Business Review you keep tabs — 48 weeks a year — on New Zealand politics, business, the money market, overseas trade, unions, transport and a score of other fields. The award-winning team of NBR journalists and correspondents — with their probing investigative features and first-with-the-news enterprise — have made National Business Review the liveliest, most talked-about and most authoritative business, economic and political publication in New Zealand. Newsstand price for National Business Review (\$86.00), and companion publication NBR Outlook (the twice-yearly special devoted to detailed analysis of important national issues) is \$59.00. Subscribe now for just \$25.00 — and save 35 per cent.

National Business Review / NBR Outlook cover price \$39.00... subscription price \$25.00. To take advantage of the NBR subscription offer, simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.

REPRESENTATION FOR SINGAPORE, MALAYSIA, INDONESIA

A sound New Zealand company with a Singapore-based marketing/sales office in Singapore needs at least one other New Zealand product to complement its small range of key products.

Products with residential or commercial building material orientation would be appropriate but consumer products with good volume potential would also be welcomed.

The Singapore office is well equipped to conduct market research on your product and has all the resources necessary to maximise its sales potential.

If you are interested, please reply:—
South East Asia Opportunity
12 Quentin Avenue
Epsom
Auckland

Don't waste a minute of your holiday time comparison shopping

When you get to Sydney there'll be all sorts of things you want to do and see. Sure, you'll want to do some duty free shopping. But you can plan it all before you leave and know that at Sterling Nicholas you'll find what you want, at the best price, and get guaranteed satisfaction. Write for our free illustrated brochure.

Sterling Nicholas Duty Free

105 Pitt Street • Crest Hotel, Kings Cross
110 Oxford Street, Darlinghurst, Sydney
Telephone 33 3281

Ex-REM man knew advertisers as "bunnies"

by Warren Berryman

ADVERTISING salesmen from the Auckland-based publishing house, REM Printing and Publishing tend to deal with client companies directly, rather than with the professional media buyers at the ad agencies.

But none of the companies surveyed by *NBR* had met an REM salesman, nor did any of them recall the name of the person from REM with whom they dealt.

All of the companies surveyed said the only contact they had had with REM was by phone and by receipt of a bill and box number showing where to send their money.

One of REM's past employees (at that time, REM was known as Direct Publications) outlined some of the sales tactics employed.

"There were instructions on the clipboard with plays to secure ads," he said. "We used to describe advertisers as 'bunnies'."

Describing selling by phone, the former employee said salesmen used various assumed names when selling space in different publications.

"We used to phone a company exec and say, 'I rang you last month and you ordered an ad. Now we've got the copy ready and no order.' The poor bloody idiot would be so flustered he'd say yes."

When selling space in *Port News*, this ex-employee said, the printer would run something like this: "You wouldn't

mind helping the boys out on the wharf... they look after your goods, don't they?"

Ad salesmen received 25 per cent commission, he said.

Some of the advertising in REM's publications does not seem to be directed at a potential buying audience.

For example, *Port News* carries ads for plastic injection moulders, an item that moves across wharves but is not something likely to be on the average wharfie's shopping list.

Ads for motorcycles appear in *Riding Tall*, a magazine for a disabled persons association.

Some ads in *Port News* are directly related to building good public relations with the watersiders.

The last issue carried an ad from Rheem New Zealand Ltd reading: "Not all drums are for heating, some drums make music. Rheem drums make sales. When they're respiced and span, that is... Rheem drums are made of mighty strong steel. But they can still be goiged and denied, and

mind helping the boys out on the wharf... they look after your goods, don't they?"

Ad salesmen received 25 per cent commission, he said.

Some of the advertising in REM's publications does not seem to be directed at a potential buying audience.

For example, *Port News* carries ads for plastic injection moulders, an item that moves across wharves but is not something likely to be on the average wharfie's shopping list.

MAJOR companies have been buying hundreds of thousands of dollars of advertising in magazines produced by REM Printing and Publishing (aomellmea known as Direct Publications) in Auckland.

Last week, *NBR* published articles based on a survey of advertisers, and quoted claims by those who said they had spent advertising dollars to support trade union members or charitable causes.

This week, we describe those methods used by REM's salesman which were criticised by the advertisers we surveyed.

this upsets our customers. So thanks for the careful handling our containers get from the waterside workers. And if you come across anyone who must heat drums, tell him to join a band."

Some companies which complain of "unauthorised ads" have outlined what they say is the method of selling they experienced. First contact, typically, is a phone call to company executive "A", in which the salesman tries to sell ads for a magazine for a union such as the watersiders or firemen, or for a worthy cause such as the Riding for Dis-

abled Association, the Ambulance Officers Training School, or the University Engineering Students.

They say the salesman takes a familiar approach, mentioning the executive's name frequently.

If executive "A" refuses to buy an ad, executive "B" is called.

Companies claim that the ad salesmen tend to catch them at their busiest moments and often say something to the effect of: "Remember you said you would be advertising in the December issue..."

The underling or secretary, assuming the ad was previously authorised by someone higher up, hears it read out and gives an approval.

Companies which have authorised an ad in one of REM's publications claim they then find the same ad often out of date - appearing in other REM publications without authorisation.

"Once you're in, you're in for life," said one businessman.

Some companies spoken to were not aware that their ads had appeared in REM's magazines. Some said they had never even heard of the magazine carrying their ads.

Philanthropic attitudes seem to be a prime motive for companies advertising in *Riding Tall*, a quarterly magazine published as the official organ of the New Zealand Riding for the Disabled Association Inc.

Advertisers surveyed by *NBR* said they felt they were making a donation to a body when they placed ads in *Riding Tall*.

But association secretary Jane Clare said the association received none of the advertising money, nor any contribution from REM.

Her association received 1000 to 1500 magazines for its members.

A prospective advertiser phoned REM somewhat and asked to speak to the advertising manager for *Riding Tall*. When connected, he asked if any of the proceeds of the magazine went to the association. He was told: "It is a contribution made by an organisation as well as a printing costs and everything. Of course, we make a profit."

If the magazine costs \$5 to \$5.50 per issue to produce, assuming that full price, charged for ad space and assuming that all ads are paid for, REM's ad salesmen profit per issue is as high as \$10,000.

LAST week's article on the listed the official publications of the Institute of Plumbing, Drainage Inspectors, and REM's publications. *NBR* has been informed: Percival Publishing that magazine is no longer published by Percival (NZ).

Experts give ultraviolet light the third degree

by Belinda Gillespie

SHEEP in plastic mugs was one of the possibilities raised at a seminar on ultraviolet light.

The seminar - grandly entitled "an interdisciplinary evaluation of the role of solar ultraviolet radiation in public health, agriculture, and the materials industries" - called together the scientific and manufacturing points of view on what one participant called "macro-problem".

Though New Zealand does not match hotter parts of the world for sunlight in terms of heat and duration, it gets far more than its expected share of solar ultraviolet radiation.

The concentrations of ultraviolet light here, possibly among the highest in the world, have implications for human health, agriculture, and the construction and manufacturing industries.

While the DSIR and Meteorological Service have done some work in the measurement of ultraviolet radiation, the practical impact has never been researched.

The seminar was sponsored by the Meteorological Service and the chemical company, CIBA-GEIGY NZ Limited. It brought together experts from

numerous disciplines as a first step toward establishing the best area for study.

The Meteorological Service has no records of the ultraviolet content of sunlight here, though it is developing capability to take measurements.

Service meteorologist Dr Reid Basher, said ultraviolet measurements started in Auckland this summer and so far showed 5 to 8 per cent levels of irradiation. But these figures were preliminary, since there is no way of knowing yet whether New Zealand gets more ultraviolet than the generally quoted figure of 4 to 6 per cent.

New Zealand's clean skies could increase radiation by 20 per cent compared with European countries, where air pollution absorbs ultraviolet rays.

During its summer, the southern hemisphere is closer to the sun than the northern, and can expect 6 per cent more radiation in the summer months than the northern hemisphere.

Other contributing factors must still be scientifically assessed - "at this stage there are many such questions and few readily available answers," Basher said.

Manufacturers and technical experts gave evidence that some factor in our climate causes harsh weathering on a wide range of materials.

The wool industry could be losing \$3.5 million a year from the effects of ultraviolet, according to Dr Ian Wetherall, from the textiles department at Otago University.

The surface wool of sheep in the field is degraded by ultraviolet radiation to the extent that about 1 per cent of the total fibre is lost when the wool is scoured, he said.

To counteract the problem, the Australians have been testing the feasibility of developing plastic jackets for sheep to protect the top part of the wool fibre from the harmful effects of the sun.

Paints, inks, plastics, textiles, and some furniture seems to fade and rot more quickly here than in summer

climates like those of Australia and Hong Kong, according to seminar examples.

Over-exposure to ultraviolet radiation has long been recognised as a cause of skin cancer, a disease which affects one out of three New Zealanders.

Just how high the incidence is by world standards is not known, because there is no reporting system for non-malignant forms of the disease.

But malignant melanoma is a serious problem, claiming about 140 lives a year, and making New Zealand the highest-ranked country in the world in deaths for women from this cause and second only to Australia in deaths for men.

The 10 per cent Polynesian population rarely gets skin cancer, so a true rate for the predominately Pakeha

population would certainly be the highest in the world.

The initial results of a Waikato survey suggest that other types of skin cancer are even more common, and for some types exceed the rates of incidence in "recognised hot spots" like Queensland.

Ultraviolet also has serious effects on animal health, vets said. All animals can get skin cancer and related diseases, and there is a correlation between these diseases and animal exposure to ultraviolet radiation, they said.

While there was general agreement on the health issues, the scientists at the seminar had reservations about attributing all the examples of materials failure to the effects of ultraviolet.

While admitting that New Zealand has a problem, they

suggested it may be due to a combination of factors, including humidity, rainfall, wind, temperature, and salt-spray, as well as the radiation.

The first step in identifying the extent of the problem, will be the establishment of a network of ultraviolet measuring stations round the country, in order to get reliable data.

CIBA-GEIGY, which has offered to put funds into this area of research, saw the next stage as deciding with the Meteorological Service on the actual form of research sponsorship.

The seminar also established a "good dialogue" among the various academic and commercial interests - universities, the Building Research Association, the Meteorological Service, and industries.

ABC of sales — and share prospects

THE Audit Bureau of Circulations (ABC) publishes circulations of the principal newspapers and magazines in this country.

The idea is that paid circulations, audited on an identical basis, are of value in making advertising decisions. There has been a small representation of advertisers

amongst its members.

But membership is the only way of receiving the semi-confidential listings, which no doubt explains one new member listed in the bureau's most recent summary.

H W Smith Ltd could not be said to lack interest in advertising. But its interest may be more closely connected with

the sharemarket implications of the audits.

As the charts at Smith's study their latest ABC subscription copy, they will notice some interesting trends. For the fifth successive year, the *Dominion*, *Evening Post*, *Christchurch Star*, *NZ Truth* and *Sunday Times* have reported a reduction in sales.

Sales growth for the *NZ Herald*, *Press*, and *Otago Daily Times* is consistently upwards for the same period, and most provincial dailies are holding their audiences.

An indicator of some trend is that in 1973 six weekend papers sold on average, 540,000 copies. In 1979, four papers sold 423,000 copies.

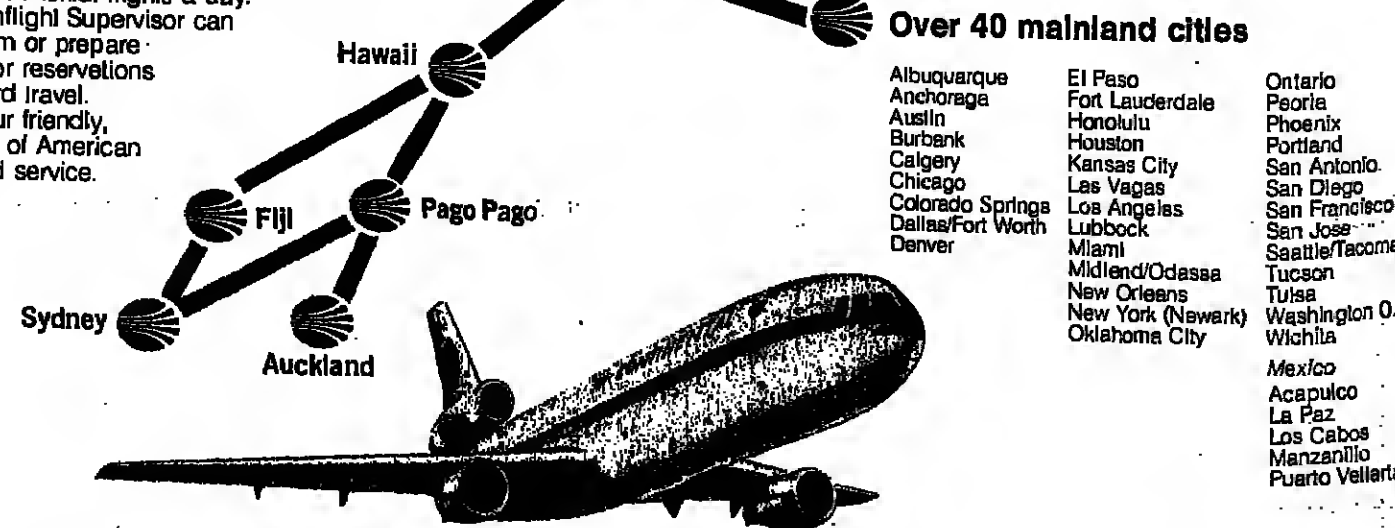
LAST week's article on the listed the official publications of the Institute of Plumbing, Drainage Inspectors, and REM's publications. *NBR* has been informed: Percival Publishing that magazine is no longer published by Percival (NZ).

CONTINENTAL AIRLINES. MORE CHOICE TO MORE U.S. CITIES.

From Auckland to Hawaii and over 40 North American cities every Tuesday, Thursday & Sunday.

If you're flying out to America soon, maybe you should think again about who you're flying with. At Continental we're out to give you a good time, not just a seat on the plane. Like a choice of at least two menus every meal. Like hassle free Honolulu customs clearance. Like arrival in Los Angeles at our own terminal for connection to over 100 Continental flights a day.

Our Inflight Supervisor can amend, confirm or prepare any ticketing or reservations for your onward travel. All this and our friendly, speedy brand of American hospitality and service.



The Proud Bird with the Golden Tail.

CONTINENTAL AIRLINES
U.S.A./Canada/Mexico/Hawaii/Micronesia/Australia/New Zealand/Fiji/Samoa and the Orient.
If you can't fly Continental, try to have a nice trip anyway.

IBM TERMINALS FOR SALE

Type	Qty.	Description	Price
3277	3	Screens (4830 keyboards)	\$2,500 each
3286	1	Printer Model 002	\$2,000
3288	1	Line Printer (120 lpm) Model 002	\$9,000

All carry current MAQ letters. Inspection welcome. Immediate delivery.

Contact:-

J.E.T. Danton, Ceramco Limited,
Private Bag,
New Lynn, Auckland 7.
(Telephone: 876-089.)

FOURTH ESTATE SUBSCRIPTION SERVICE

To subscribe to or purchase any of the newspapers, directories or books published by the Fourth Estate Group simply fill in and post the coupon below. Please make out cheques as indicated. If two different companies are indicated for multiple purchases, please make out cheque to Fourth Estate Group, P.O. Box 9344, Wellington.

(Please fill where appropriate)

- ☐ I/We enclose \$25.00 for one year's subscription to *National Business Review*.
- ☐ I/We enclose \$14.50 per copy for copy/copies of *Why Managers Fail*.
- ☐ I/We enclose \$65.00 for one year's subscription to *The Capital Letter*.
- ☐ Please bill me/us.

Name
Address
Occupation
Signature

Life is one long grind. But we love it!

When you supply a range of precision grinding wheels, metal cutting wheels, masonry cutting wheels, rubbing blocks and finishing/polishing accessories as popular as the Austral range, you're kept pretty busy keeping up with the demand.

When you back those products with a high degree of local and overseas (from Bay of Islands of Amaros) expertise, it's a no wonder that a constant flow of information and product innovation is also part of the Austral service. And when you've got a network of really antihustle distributors and stockists

wait the sparks really fly as more and more satisfied users turn to Austral. Yes, life is certainly one long grind at Austral Abrasive Products, part of one of the most dynamic and fastest growing companies in New Zealand. But do we love it!

Please supply information about your range of products and the name of my nearest Austral stockist.
Name Position
Company
Address
AA 804N

Austral Abrasive Products Ltd
P.O. Box 33-260, Auckland. Telephone 444-8308.

CERAMCO

Saudi deal: PR dropped from princely venture

THE formation of the Saudi New Zealand Capital Corporation brought the predictable response from the more xenophobic in the community about selling the country out the back door.

Given the fact that New Zealand needs development funds, and is clearly unable to raise the total in this country, such moves are logical and should cause little surprise. The Arab connection with this venture is probably part of the reason why it has been given so much publicity.

But the announcement of the project was handled badly, and all parties, including the Development Finance Corporation, should use this case to learn about public relations in sensitive areas.

The press statement, which quotes DFC general manager John Hunn, fails to square up with some of Hunn's later statements. And it raises questions which need answers in the interests of an informed community.

That is not to question the basic acceptability of ventures between New Zealand and overseas interests, whether

they be Saudi, Japanese, German, or any other country. Hunn was engaged in meetings last week when I tried to contact him on four occasions, and deadlines were for neither man nor DFC general managers.

The press statement says that 25 per cent of the capital will be "offered to other New Zealand interests".

On Tuesday, April 8, Hunn said on Network Two that the "other interests" were two New Zealand companies. But he declined to name them, apparently on grounds of confidentiality until the respective companies had finalised their agreement.

Who are the lucky two? We don't know — but will it "be offered", for example to Challenge Corporation and Fletcher Holdings?

And what will happen if either of those companies, or others, turn down the offer? Will the 25 per cent then be hawked around the country-side for any takers? How can it be better to finalise the shareholding before making an announcement?

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

There is no mention in the press statement, nor in subsequent comments, about debt finance for the joint-venture company.

A company with a capital of \$20 million is sizeable in equity terms, but would it be an efficient operation if it failed to gear itself up with debt finance? What will the gearing be?

Saudi New Zealand Capital Corporation is described as an investment company, so it could be presumed to operate on a gearing higher than the two to three applicable in industrial operations although Hunn says additional investment will be by equity which is a strange financial structure (see Page 5).

Will the prince's overseas based investment company, which is to own his share of the corporation provide the debt money? What will the terms be?

Unless the funds are available on favourable terms, which could occur if the investor offset exchange risks and higher returns overseas against political and investment stability for large sums in New Zealand, how will a return be earned? What is the point of using this vehicle to raise substantial loan funds when other organisations can do the same job, unless other factors are relevant?

The press statement says that the 25 per cent which will be offered to other New Zealand interests will "be underwritten" by the DFC.

What does that mean? Will the DFC take up any shortfall if the proposed partners turn down the offer? Surely it cannot mean that the DFC will "underwrite" in the sense of guaranteeing some return at a given level?

The statement says the proposal was "put to Prince Nawaf" during his visit in October, 1979. By whom? The DFC, or the Prime Minister, or Deputy Finance Minister Hugh Templeton who, along with other ministers, was apparently quite taken by the Saudi royal gentleman?

We read that the Saudi New Zealand Capital Corporation intends to subscribe for shares in new projects in preference to purchasing shares in existing companies. That brings us back to the debt finance question.

An amount of \$20 million is a feasible proportion of the investment capital needed in new development projects.

In a radio interview, Hunn said that energy would be one field. That is an industry with massive investment costs.

In passing, it is little ironic that the Saudi money is supposed to finance alternative energy in New Zealand. We are developing these expensive alternatives because the Opec

countries, which include Saudi Arabia, have oil prices regularly while cutting oil on production.

Saudi princes, and anyone else for that matter, cannot for themselves where to put their money, and the Saudi investors need a payback period and so.

Assuming a net 20 per cent return on the capital, five years. But that 20 per cent return may not be available for a year or two until the "projects" come on stream, thus extending the payback period beyond five years.

There are sufficient funds available to avoid "red doors", but local people entitled to know what is being done, and how the corporation will operate, particularly when it has DFC funds money invested in it.

And that comes to public relations, the element in this exercise

Analysing annual accounts: Dunlop (NZ)

DUNLOP New Zealand's inflation accounting techniques answer many of the questions which arise from company accounts.



The 1979 annual report shows the effects of inflation on the company's business, particularly the influence of substantial price rises for imported raw materials.

Dunlop records its assets at current replacement cost. A comparison of historic cost and CRC for "raw materials, finished, and partly finished goods" is given in the table.

The CRC is higher than historic cost in all categories, due to price movements between purchase (or manufacture) date and the December 31 balance date.

But figures also show that Dunlop was carrying a much higher volume of stock at the end of 1979 than in the previous year. A comment in managing director John Hammond's review of operations confirms that point, but unfortunately gives no reason for the change. Hammond says: "Average funds employed during the year

percentage of total asset values under both accounting systems.

They went from 29.3 per cent in 1978 to 36.4 per cent under the historic cost convention, and from 23.4 to 29.3 per cent under CRC. Since CRC takes account of changes in all asset and liability values, Dunlop was carrying substantially higher stocks in 1979 than in 1978.

The figures answer the volume/price change question, but they raise another. Why have stocks risen to such an extent?

Unfortunately the report fails to answer that question, although the annual meeting last Thursday, (after this was written) may have been told.

Dunlop's inflation adjusted accounts are prepared on the standard of the United Kingdom Accounting Standards Committee, and therefore differ slightly from the provisions of the New Zealand Richardson Committee report, but they provide a useful guide to the impact of inflation on group operations.

	Historic cost	\$'000	Current replacement cost	
	1979	1978	1979	1978
Raw materials	5,038	2,965	5,091	3,203
Partly finished goods	1,838	1,457	1,736	1,497
Finished goods	11,287	8,308	12,087	8,563
Total	17,963	12,730	18,894	13,263

The effects are seen in the profit and loss account. Profit before taxation was \$7.9 million on historic cost (\$6.4 million on \$4.7 million) after application of CRC principles.

The pre-tax figure gives a better comparison than net profit, because most companies preparing inflation adjusted accounts make no allowance for a tax charge.

If the Government accepted inflation adjusted accounting, there would be a logical reduction in the tax liability. For example, Dunlop's taxation was 42 per cent of pre-tax profit under historic cost.

Application of the same monetary tax liability to the CRC figure lifts the relation-

ship to 66.5 per cent. That proportion is useful in illustrating the present problems with inflation, but is unlikely to be imposed if CRC were accepted as the basis for calculating tax liabilities.

(Conversely, it would be interesting to see the tax liability, if Inland Revenue's share of profit were also adjusted for inflation between the time of earning and the time of payment.)

CRC in Dunlop's accounts gives an interesting (but theoretical) result in terms of the shareholders' "ownership" of their company. The proprietorship ratio (shareholders' funds to total assets) rises from 50.4 per cent (historic) to 61.8 per cent. The change arises from the provision of the "capital maintenance reserve" which is a "re-

serve... to reflect revaluation surpluses and deficits arising from changes in the prices of fixed assets, inventories and monetary working capital offset by the gearing adjustment."

The change is theoretical, because realisations of assets, which under historic cost may give a "capital profit" are already reflected in the capital maintenance reserve, assuming that the revaluation would be achieved on disposal.

Dunlop has presented another informative report, although more information on inventory volume would be welcome. The group appears to be diversifying slowly away from reliance on tyres, a difficult industry with over capacity, and moving more towards other aspects of the "leisure" industry.



WE'LL GIVE YOU A GOOD TIME... ANYWHERE IN NEW ZEALAND!

Hospitality is what it's all about at a DB Hotel. Friendly bars, great (licensed) restaurants, television, very comfortable beds, and, of course, first class room service. We do all the work, you just put your feet up and unwind.

If it's a working visit, we'll help you there, too. Whether a quiet dinner with your best client... or maybe even a full-scale conference, all you have to do is let us know. Then relax. We'll take care of all the details.

So whether you're travelling for business or pleasure, DB Hotels can provide everything you need. And if you're planning a conference of any kind, call 33-739 Auckland. They'll take care of EVERYTHING!

And always remember: you can book into any DB Hotel FROM any DB Hotel using our FREE Telex Reservation Service.



FOR RESERVATIONS CONTACT —
AUCKLAND PHONE 33-739 TELEX 2905 WELLINGTON PHONE 725-376 TELEX 3404
CHRISTCHURCH PHONE 528-186 TELEX 4350 DUNEDIN PHONE 78-203 TELEX 5748

Sharemarket surge sings fingers

FINGERS could be burned in the current sharemarket surge, particularly with the rapid rise in stocks connected eventually with "forestry".

The price hike for Fletcher Holdings is logical, given the company's profitability in the immediate future, and recovery was expected in NZ Forest Products following settlement of the wage issue at Kilmahilly.

But share prices can go beyond a realistic reflection of immediate and medium term profit. At that point the future is being discounted, and massive earnings are needed to support solid short-term price movements.

In happy days of long ago profit in say, five or six years was calculated, and a discount factor of 7 or 8 per cent introduced to the equation.

The discount brought the earning rate back to current values. It allowed for the opportunity cost of holding the shares, rather than investing funds in alternative interest-bearing securities, and for the dividend yield on the shares at current prices.

When interest rates are running at 15 to 16 per cent a year, and inflation is higher the discount applied to future earnings rises to a similar level. An adjustment has to be made for those companies which pay dividends from tax-free sources, to equate with the effective return from a fixed interest investment.

The future is always unknown, but it would be realistic to apply an average discount in the region of 15 per cent to take account of all contingencies in interest rate changes, and other factors.

An average 15 per cent discount rate over six years cuts an earning rate roughly in half when it is brought back to 1980, before allowance for tax-free dividend payments.

The returns on investments will be subject to inflation, so that element cancels itself out. The New Zealand sharemarket has become divorced this year from a traditional relationship with interest rates. In "normal" times, there is a movement between share prices and the return available on fixed interest securities. As the latter rise the former drop to take account of higher dividend yields on equities.

Many companies pay dividends from tax-free

sources, and that has distorted the relationship as mentioned here several times this year. But tax-free dividends should mean that the degree of movement in equity prices is only lessened when interest rates go up.

In theory there should still be a downward shift in share prices as rates rise, after accounting for the tax-free portion of dividends.

That has yet to happen, and the question is, will it happen, or will the continuing discount of future earning rates in companies push share prices up in the coming months?

If equities react to interest rates there will be capital losses on at least one paper, in the short term for investors who are buying in now.

If prices continue to discount the future, at what point does the market become oversold, given the discount figures mentioned earlier which effectively halve earnings in six years?

This discussion may sound theoretical, but it relates to a practical, and real, danger. It would be better for the health of equity investment if the market were to ease back this year, rather than push ahead beyond the level of foreseeable

the future earnings, the arbiters of a share's value.

The higher a market, the deeper the ensuing reaction. A market slump in a year two would come at a time when substantial money in development projects needed assuming responsibility, whether individuals or through their savings institutions, will be participating.

And it is no answer to an erstwhile financial aid in a daily newspaper. Either, that the claim, other analysis can go gloom and problems as they like, but that investors will decide a price.

Investors will always decide share prices. Eventually, some investors decide the given price level is warranted, whether on the up or the downside.

At that point they tell what the analyst has known for some time, and react accordingly.

The higher the market goes in present conditions, the greater will be the fall when we see an unlikely large reduction in interest rates.

BUTLER, WILSON & CO.

Members of the Auckland Stock Exchange

7th Floor, C.M.L. Centre, Queen Street, Auckland.

Phone 34-357, P.O. Box 45.

COMMERCIAL SPACE

OFFICE — WAREHOUSE — INVESTMENTS

If you haven't tried —

WEYBURNES

— you are not really looking!

RING WGTN 843-955, AUCK 375-502

R. A. JARDEN & CO.

STOCK AND SHAREBROKERS

Members of the Wellington Stock Exchange

9th Floor B.P. House, Cnr Waring Taylor St & Customhouse Quay, Wellington, New Zealand

Telephone 735-880

Box 3394, CPO Wellington

Telex N.Z. 3587

Cables: Portfolio, Wellington

Bass's book on credit management embraces local situation

CREDIT management in New Zealand is a comparatively new branch of corporate activity, and is well behind the sophistication seen in the United States and in Britain.

The New Zealand Institute of Credit Management was founded in 1975, and is an affiliate of the New Zealand Institute of Management. The United States National Association of Credit Management has been operating since 1896, and the United Kingdom Institute of Credit Management was born in 1939.

Credit Management, by R. M. V. Bass, credit and finance manager of the British company GKN Sankey Ltd, should be of interest to people responsible for commercial credit in this country.

The book has a British bias, but the general principles are relevant here. Chapters on the pitfalls in export credit management are valuable for our manufacturers who are increasing their export activity.

Bass describes his approach as emphasising the positive function of credit management which is "vital to the protection of assets but also contributing to profitability".

The first half of the book examines commercial credit management in the broad sense. The emphasis is always on the profitability aspects of the credit function, plus its relationship to liquidity.

Bass covers the need for the credit manager (and his department) to have a clear statement of the company's credit policy, and to work in close liaison with the sales force. The latter are one of the prime sources of credit information through their work in the field, and their association with many firms, including competitors of the debtor or potential debtor.

Risk assessment is treated as a vital part of the credit department's work.

The assessment of risk in Government controlled or Government-backed companies has lessons for New Zealand managers, because there is no guarantee that the Government will compensate the rescue of such organisations.

Bass says it is an untenable argument to think that there is no risk.

Referring to the British companies under Government control, either directly or indirectly, he says that many would have collapsed where they are under private control. Some are under Government control because they collapsed.

Apart from the well-known cases of the British Steel Corporation and British Leyland, the latter financed through the National Enterprise Board, two smaller organisations are given as examples.

In 1969 Beagle Aircraft had a receiver appointed. The company owed over £1.2 million to unsecured creditors who to a large extent had relied on Government. Public funds of £6 million were lost.

In 1977 the National Enterprise Board invested \$54,000 in Hivent Ltd, a small air pollution equipment company, and took 25.9 per cent of the equity. The company was insolvent within six months, and the NEB refused any more assistance. Bass says that suppliers who had been encouraged to give credit by the sight of Government money being injected were "left in the lurch".

The general chapters on the nature and basis of credit management will be familiar to most practitioners here, but they may glean valuable assistance from the lengthy exposition of export credit techniques.

Bass is scathing on the financial information available from many countries, particularly in South America, Africa and Asia, areas which include several of New Zealand's newer customers.

Under "other countries" he says: "This embraces Aus-

tralia, New Zealand, South Africa, Japan, where company accounts are obtainable reasonably easily, and all the developing nations of South America, Africa and Asia, where balance sheets are generally hard to find. Even when they do come to hand the credit analyst must not place too much reliance on them for two reasons. Firstly, as in many European countries, accounts are prepared because the law demands them, and this becomes a tax avoidance exercise. Secondly, the standards of accountancy and auditing fall far below those of Western countries".

The lack of information on export credit with Middle Eastern countries is a curious omission from a work which is otherwise comprehensive, particularly as it was written in 1979.

And the first rule of writing any necessary collection letters must be "to write in the buyer's language", a concept which may seem just as strange to New Zealanders as to the English, both of whom have an idea that the Tower of Babel was a short-term aberration from a planet of English-speakers.

If the exporter wants to assess the buyer's credit worthiness from perusal of the latter's accounts, Bass conveniently includes cross-language terms between English, French, German, Dutch, Flemish, Italian, Danish, Swedish, Spanish, Norwegian, Portuguese and Finnish. (The New Zealand reader may prefer Japanese, Malay, Chinese, as well, but the book is published mainly for British managers.)

So the next time you see "Ich bin glücklich über meine Kreditlinie" — Davon Durch Grundphosphor-Gesellschaft — remember it means "Bank loans secured by mortgage", in German.

Credit Management, R. M. V. Bass, Hutchinson, 1979, \$18.40.

Unique Opportunity. Senior Management/Marketing Career with International Company.

The internationally based company is a major one in the consumer durable field with a world-wide reputation for leadership and innovation. The brand is renowned in a highly competitive industry and so it is desired that confidentiality is maintained at this stage.

We are seeking a highly qualified executive to occupy a key managerial position in the New Zealand company, with the very real prospect of going right to the top. As well as proven management skills the right person will be able to show an impressive track record in all the practical aspects of marketing, and be able to demonstrate the flair and dynamic approach necessary to succeed in a tough and competitive environment.

The demands of this position far exceed those normally expected of a marketing manager. In fact, it is likely that the executive we seek already has general manager status.

The total remuneration package will be amongst the top in the country and fully commensurate with the experience and talents of the person we are seeking.

Initial applications should be made giving full career details in writing. It goes without saying that applications will be treated in the strictest confidence.

Apply to:
Executive Manager Marketing,
PO Box 6740
AUCKLAND

Make it a rule. Avoid red tape.

by Warren Berryman
WINSTONE Ltd and Dalgety (NZ) Ltd are joined in a research project into phosphate fertiliser that could radically alter the whole fertiliser industry and change the country's trading pattern with South America.

Rock phosphate is the keystone of New Zealand's pastoral farming. At 1.36 million tonnes a year, valued at \$69.7 million, rock phosphate is this country's second-biggest import after oil.

Phosphate is supplied by the British Phosphate Commission.

But traditional supplies may be in jeopardy. Ocean Island deposits might have only three years to run. Nauru might last a further 15 to 20 years. And the future of the Christmas Island phosphate mining venture is in doubt.

Imported phosphate is treated with sulphur (imports of 258,000 tonnes a year valued at \$9.45 million) to make superphosphate fertiliser.

Superphosphate prices rose 23 per cent the other day.

The Winstone-Dalgety research project is out to prove that rock phosphate can be applied direct, after being crushed and pelleted, but not made into superphosphate.

The key to the venture is to find a phosphate rock that is more reactive than the phosphate we get from Christmas Island, Nauru, and Ocean Island.

Winstone brought in 20 tonnes of phosphate from Peru in 1978 and put it through its pelleting plant at Wiri.

Phosphate from Peru, like that from the Chatham rise, Tunisia, and North Carolina, is soft and reactive, unlike the hard phosphate from Ocean

and Christmas Islands and Nauru.

Field trials with this material over recent years carried out by Massey University have shown encouraging results.

Glasshouse trials, conducted by Professor J K Sayers at Massey, showed that the pelleted rock compared favourably with single superphosphate in terms of plant response.

Field trials have been run over three years.

The Peruvian phosphate rock seems to be giving a similar yield to single superphosphate applied at an equivalent phosphorus rate.

Dave Udy, of Winstone, said there might be an added advantage to the directly applied phosphate in its residual qualities which might mean that it will mean less frequent application - maybe only every two years.

The pelleting plant turns out pellets of various sizes to insure an even wide fan when spreading. When wet, the pellets instantly break down into a fine powder to soak into the soil.

In sulphur-deficient soils, sulphur might be directly applied. The sulphur used in the manufacture of superphosphate must be pure and is therefore imported.

New Zealand has quantities of volcanic sulphur. But mining operations have run against a snag with fine particles in the sulphur that are difficult to separate out.

But this New Zealand sulphur, while perhaps never suitable for making superphosphate, might be good enough for direct application to the soil.

New Zealand has its own phosphate - phosphoric nodules 300 metres under the sea on the Chatham rise. This resource has been cautiously

estimated at 900 million tonnes.

But Udy points out that the Chatham rise phosphate is low in phosphorous - 10 per cent versus 14 per cent for North Carolina phosphate and 13.5 per cent for phosphate from Peru. The phosphate contained in superphosphate is 9 per cent.

The advantages in using the rock substance for direct application are:

- The capital plant and operating expenses are small and the technology simple;

- It carries more phosphorus per unit of weight of fertiliser (13-14 per cent compared with 9-10 per cent in single superphosphate);

- It is non-corrosive.

- Winstone sees a good market for the product in hill country farming areas where the soils are generally acidic and this soil condition increases the efficiency of rock

phosphate fertilisers. Udy said the pelleted rock product would not replace superphosphate in this country, but would be complementary.

Trials on the fertiliser are expected to go on for a further three years. But Udy points out that direct application of rock phosphate is not new.

The Russians have been using rock phosphate for direct application for 30 to 40 years, he said.

The International Fertiliser Development Centre, an American agency located in Alabama set up to help developing countries, has shown interest in the Winstone-Dalgety project and given some advice, Udy said.

Winstone is plumping for phosphate rock supplies from Peru.

The British Phosphate Commission gets a \$15 a tonne subsidy for its phosphate from

the Government. Winstone would hope to receive the same subsidy, Udy said.

Peru, a long-standing importer of New Zealand primary produce, has periodically complained of the trade imbalance in this country's favour.

New Zealand exported \$15.4 million worth of goods to Peru last year but our imports from Peru were only worth \$240,000.

Peru has not taken up offers from the Trade and Industry Department to come here and find a market for its goods. But Peru in the past has had trade deals on reciprocity, like selling Australia a mulderous load of fish meal in return for access for Australian exports.

Buying phosphate from Peru might help redress the trade imbalance and open a market in Peru for goods - in particular dairy products.

Winecaters for Chinese palate

by John Draper

A WINE to suit the Chinese palate, developed in Co-mandel, will feature at FoodAsia, a four-day trade fair in Singapore.

The Export-Import Corporation is organising the stand for 10 firms, including Totara Vineyards Ltd (which has developed the Chinese wine); Nelson Vineyard's range of fruit juices and fruit wines; McGregors Liqueurs, Ernest Adams' cakes and health food products; Hansells' soups and flavoured; Nelson Packhouse's canned fruit and vegetables; Griflins' biscuits; Variety products' sweets; Lane Lutterer's spices; and Radcliffe's packaging machines.

New Zealand, with the largest stand, will dominate the fair, from April 15-18, regarded as one of the most important in the food business.

WELLINGTON'S MOST
COMPREHENSIVE
COMMERCIAL
INDUSTRIAL AND
RESIDENTIAL
REAL ESTATE
SERVICE
P.O. BOX 161
(OPP. D.I.C.)
PHONE 726-209
WELLINGTON
Harcourt & Co. Ltd.
Est. 1888 M.R.E.I.N.Z.
harcourts

Procedures. Formalities. Documentation. Clearance.

The time saving benefits of International air freight can be quickly lost if you don't know your way through the complicated procedures on the ground.

At Emery Air Freight we have our own highly trained and tested 'procedure experts' in over 150 locations around the world. They're the Emery people. And because they're 'on the spot', they have 'on the spot' answers to all you ever wanted to know about air freight and probably didn't know who to ask.

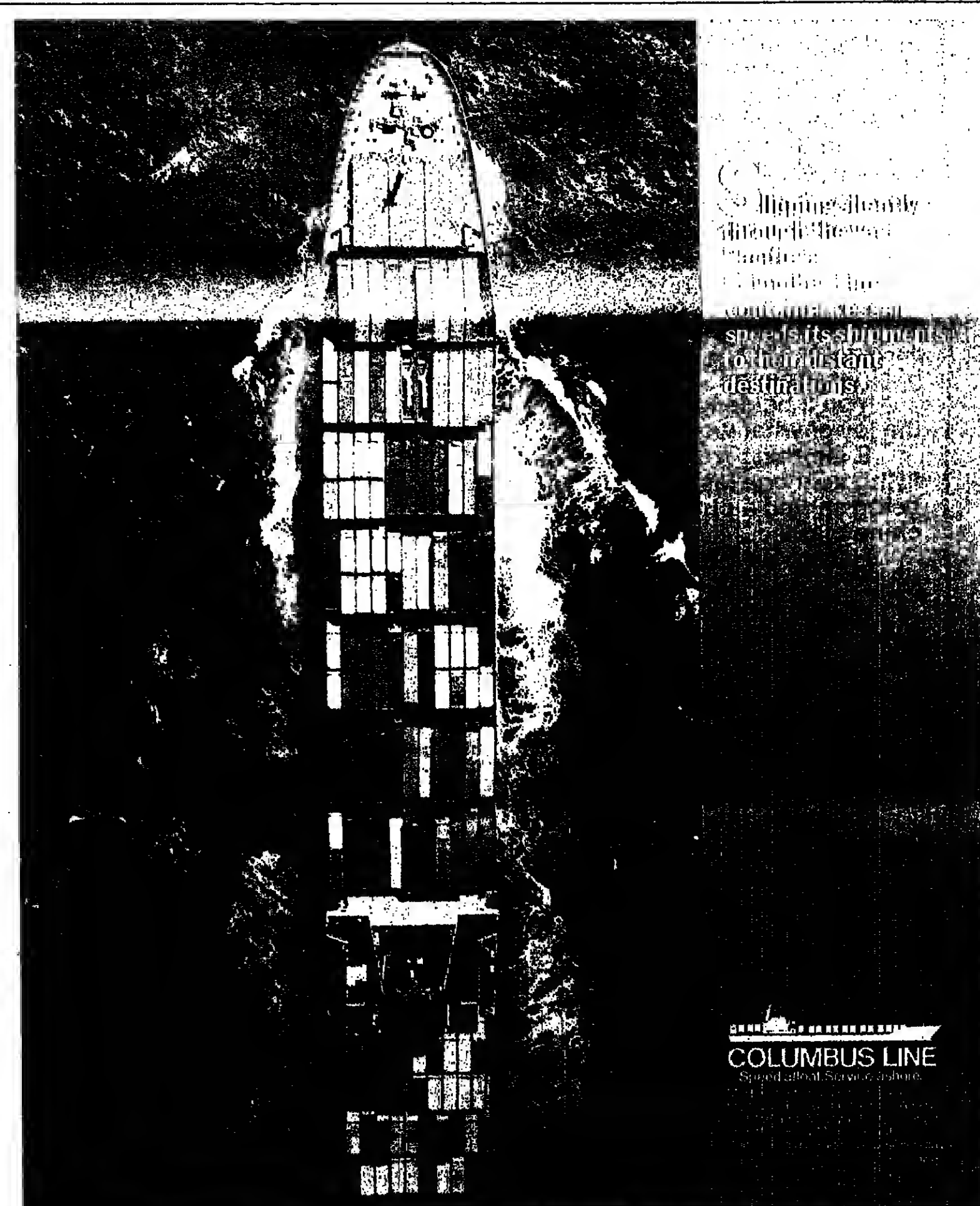
Just pick up the phone and Emery picks up the responsibility.

EMERY
Air Freight

Auckland 276-8169 Christchurch 583-222 Wellington 881-179

Overseas trade

Researchers try to revolutionise fertiliser usage



A boardroom exercise in lateral thinking.

The answer wasn't obvious. It took a bit of Lateral Thinking. When Swissair was confronted with the fuel crisis, they decided the best course of action was not to follow international airline trends.

Certainly not to cram more seats into the aircraft and cut back the in-flight service.

They just continued doing well what they have traditionally done. And that was to provide passengers the most comfortable, spacious ride in the world.

They knew that passengers still wanted to travel in comfort and style.

Connect with Swissair at Singapore, Bangkok, Hong Kong, Jakarta or Manila on your next business trip to Europe.

You'll be delighted to discover the joy of what we call 'Swiss Class'.

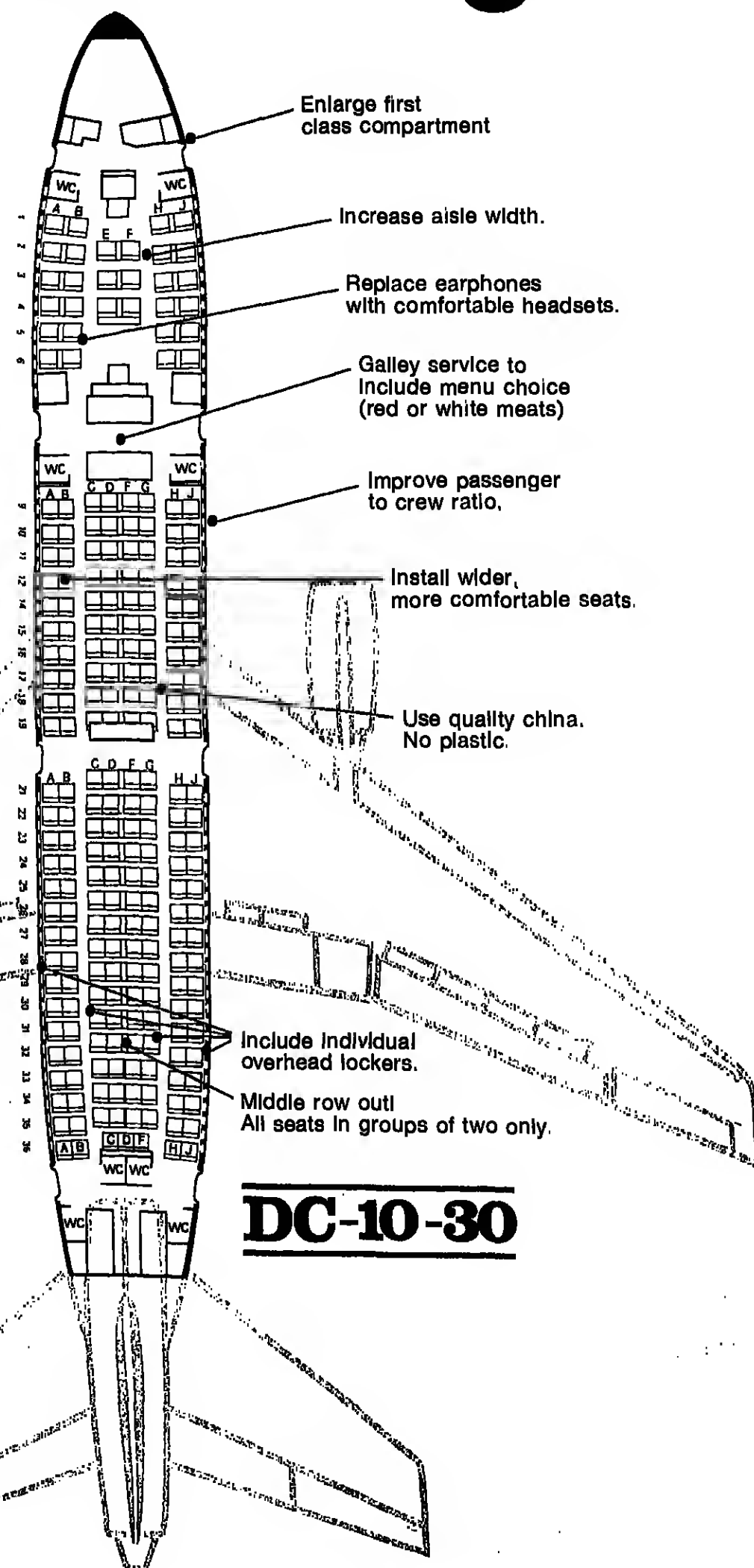
Everything from the comfort of flying with one less seat per row to being served a choice of cuisine on china plates.

Having an individual overhead locker.

And when you purchase a full fare ticket, the opportunity of reserving here in New Zealand, the seat of your choice on any long haul Swissair flight in the world.

Do a little Lateral Thinking yourself.

Don't fly on any airline. Make the decision to fly Swissair, 'Swiss Class'.



swissair

1 Queen Street, Auckland. Phone 372-341

Industrial relations

Maintaining economics through industrial frame

NBR: Is industrial relations a problem, or is it a symptom of something deeper?

Bolger: I think it's a problem. In terms of confidence to invest, confidence for businesses to expand, it's a problem in terms of people's attitudes.

There is a concern in the community that we don't have as good industrial relations as some of our competitors and this is an additional cost that we bear in New Zealand and unless we can improve our industrial framework, unless we can improve the working of the system, this is going to be to New Zealand's detriment, competitively, internationally.

In that context it is a problem.

So it's primarily an economic issue rather than a human one?

Bolger: There is not a groundswell of opinion that sees the trade unions now as fighting for some new social goals as there might have been in the early part of the century.

It's now seen much more clearly in economic terms. Bad industrial relations are seen as an economic cost.

Do you see it that way?

Bolger: Yes. Clearly the major element in concern about industrial relations is the economic cost of unnecessary disruption.

You don't see the disruption as being symptomatic of a deeper problem?

Bolger: No, though it's portrayed by certain elements as part of a struggle to gain a greater share of management, a greater share of the economic resources of a company or whatever and that's portrayed as part of a social evolution. And there are those within the trade union movement who are active in this area.

So you see your role in a sense as maintaining the existing social order when there are forces within the union movement which want to change it?

Bolger: Well, if you mean by maintaining the existing social order that there is no change, no, that's wrong.

What I see in industrial relations is a progressive growth in attitudes, particularly in the field of employees being more involved in the managerial decision-

THE Government's overriding concern in industrial relations is the economics of maintaining our international competitiveness, says Labour Minister Jim Bolger in this first part of a two-part interview with Colin James on the Government's medium and long-term industrial relations strategy.

making side of the work, and closer to the workforce than someone sitting on the board of management or the board of directors of a company.

This clear distinction between who makes the decisions and who carries them out will probably go.

I'm talking about encouraging workers to take a more active interest in their total workplace, so they don't just see it as a pay packet on Thursday, but in terms of providing them with job opportunity and if the plant is profitable, a better pay packet on Thursday, so that they feel they are part of a total entity rather than just as a cog.

What do you see as the legitimate role of unions?

Bolger: The legitimate role of unions is clearly one to ensure that their members are treated fairly in a number of ways—in terms of the award, what should be the rates of pay and

not seen as some unfortunate still see it, as a class war. Let's define now what's wrong with the present system.

Bolger: I think what is wrong is inherited in many ways. We have got in New Zealand craft-based unions. So we have union structures which go across the country picking up trade unionists who are employed at a similar skill but an entirely different environment and the more complex the economy gets the more unrealistic that sort of concept becomes.

I think we've got to look much more toward industry unions, particularly for our larger industries, so the employees in a particular industry have a feeling of affinity with it and if their industry is doing well, they can anticipate that they will be a bit better than the next bloke, so that there is some value in being associated with a profitable industry that's working with a trouble-free record.

We also have a reluctance in New Zealand in disputes to refer to arbitration.

In minor disputes, they'll

allow me to set up an ad hoc arbitration system, a compulsory conference or whatever. But in major disputes over wage rates there is great reluctance.

I think we've got to get trade unions to accept that arbitration is a fair method. Do you see employers as having faults as well as unions?

Bolger: Yes, I do. But I think it's fair to say, however, that the situation is that normally the break-off in disputes rests with the trade unions and I suppose that's understandable when you look at the system.

But employers are often inadequately prepared to deal with able trade union advocates. They are dealing with experienced men who know their job very, very well and I would be surprised if some of the difficulties were not due to the fact that some of the employer assessors are not really briefed adequately for the job and that they don't really know what's going on in other areas and they are looking at their role with far too narrow vision.

Environment

Coastal zone planning attempted by disparate bodies

by Belinda Gillespie

THE parlous state of planning for New Zealand's coastal zone has been highlighted by reports from the Government's two environmental watchdogs.

The Environmental Council, a non-statutory body of 10 members, appointed by Cabinet, called for the application of planning to the whole coastal zone, and not to separate land and sea concerns in a preliminary review of coastal planning.

Future pressures on the coastline include energy-related development; petrochemical industries; port expansion and development; mining operations; tourism and resort development.

The present framework for planning through the Town and Country Planning, Public Works, Local Bodies, Reserves, and Water and Soil Conservation Acts, will lead to its own demise, unless objectives and goals for that framework to serve are clearly set out, the council declared.

Apart from Section 3 of the Planning Act the country lacks regional or national guidelines for coastal development, said the council. "As a result the system is actively engaged in discrediting planners at the regional and district level for failing to set their own standards or somehow assume satisfactory guidelines."

The country should be determining coastal guidelines.

recognising that planners, developers and Government agencies all have a part to play.

"Regional planning is not working as intended partly because of a lack of acceptance and parochial attitudes which can still over-ride wider considerations in the absence of overall guidelines," the council said.

The character and significance of coastal resources needs to be much better understood, it said. "It is apparent that the coastal data base is inadequate for regional, and sometimes even project planning."

Wave, coastal and estuarine behaviour information is familiar to a relatively small group of scientists, and many developers and local body staff remain unaware of it.

Meanwhile, "the fragmented, unco-ordinated, dispersed and incomplete information available makes it

difficult to apply coastal legislation except on very general principles."

The council stated that the 1977 Town and Country Planning Act had strengthened the ability of planning authorities to deal with coastal planning — providing there was the political will at all levels of Government; the technical competence to suggest solutions; that policies are backed by financial commitment; and that society values the coastal environment, and translates its values into policies.

These general problems have been pin-pointed by the Commission for the Environment's study on the Poor Knights Islands Marine Reserve, and its recommendations regarding the establishment of marine reserves — one element of overall coastal planning.

The concept of marine reserves is relatively new. The

Hauraki Gulf Maritime Park Board's application to have the area around the Poor Knights Islands declared a reserve, under the second Marine Reserves Act was passed in 1971.

Marine reserve proposals are not usually referred to the commission, but in this case the Ministry of Agriculture and Fisheries wanted an independent agency to resolve conflicting interests. An environmental impact report was prepared by the ministry, which was then audited by the Commission for the Environment.

Recommending the establishment of the Poor Knights Islands Marine Reserve, the commission pointed out deficiencies in the Marine Reserves Act.

In comparison with the Reserves Act 1977, which provides for different types of land reserve, the Marine Reserves Act was considered too

exclusive. Under the terms of this act, areas may be set aside only for scientific study — whereas the aim of a reserve at Poor Knights Island was "to protect the underwater flora and fauna from recreational excesses and commercial exploitation and to enhance the opportunities to recreational fishing and sightseeing."

The Marine Reserves Act, the commission concluded, needs substantial revision so that marine reserves can be created where recreation is the primary aim.

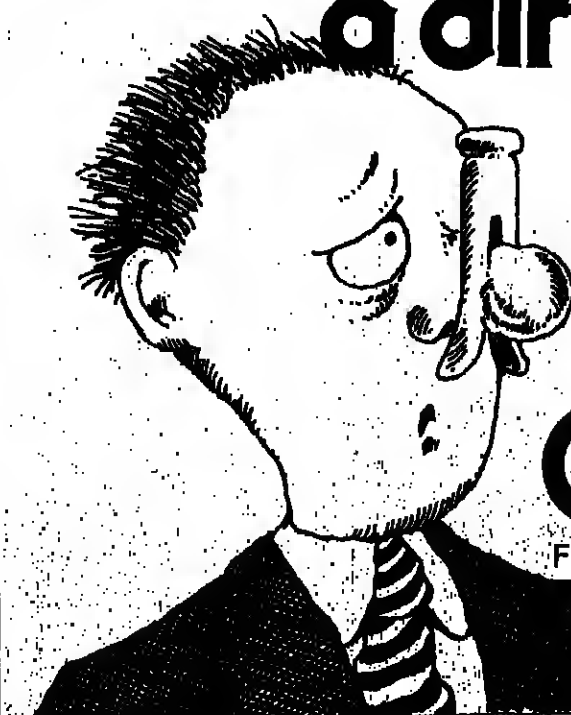
A 1977 amendment allowed the Minister of Agriculture and Fisheries to permit fishing within a marine reserve, weakened the act and introduced confusion into its aims and ideals. Rather than amend the legislation to suit particular requirements, "new legislation modelled on the Reserves Act 1977 should be promulgated..."

Dr Philip Corbett, a marine biologist at the Commission for the Environment, said setting aside areas of the sea for a specific purpose is contrary to most New Zealanders' understanding that the coastal zone is public property.

But "this attitude is not realistic — the concept of land use planning must be applied to marine resources", he said, pointing to the many agencies and statutes involved in implementing a scheme under the Town and Country Planning Act.

Difficulties in administering the Marine Reserves Act are caused by the division of responsibilities for the coastal zone. The Ministry of Agriculture and Fisheries responsibilities overlap with those of the Department of Lands and Survey and the Ministry of Transport, and all three will have to be involved with planning for reserves.

Toilets need not be a dirty word.



Wellcome/Hygiene

Professional hygiene services and products. For free hygiene inspection and assessment, phone Auckland 276 1877, Wellington 678 175, Christchurch 64 278.

REVOLUTION?
or
EVOLUTION?

with

IBM

WORD PROCESSING
the choice is yours

Profile

Ron Guthrie: a "silent and deadly operator"

by Rae Mazengarb

RON Guthrie, a general manager of McKimling Industries Limited, has been described as a "silent and deadly operator".

The observation is a sincere form of flattery. It denotes a quietly spoken — some would say low-profile — man with a keen perception... "an ability to see clean into something".

A close colleague confides that Guthrie has a quick and agile mind. He is keen to identify the cause of problems and just as able at finding solutions.

Described as "fiercely loyal to the troops" in the working environment, he is always ready to offer guidance where his help is requested. Otherwise he is a firm believer in freedom of thought.

He cannot abide fools — and he will take the Government to task on important public

issues. But he does so constructively, by providing an alternative solution.

He leapt into the debate on the restructuring of the economy last year, as a member of the New Zealand Planning Council, and stated that the Government had placed too much emphasis on exports and too little on the real possibilities of saving foreign exchange by efficient import substitution.

He argues that if the major customers for our agricultural goods no longer want them, New Zealand cannot make a living by giving away its main product. "If the product doesn't sell," he said, "it must be changed".

Guthrie insists that New Zealand's export growth strategy is based on the wrong premise: "To export for affluence is great — but to export for survival is stupid."

A self-confessed "ex-Pom,"

Guthrie holds to the theory that if people are going to maximise their career potential, they must be prepared to move.

"It's often been said that after three to five years in a job, the benefits begin to accrue more to the company than to the individual," he said.

He has averaged about 6½ years per job, including his present position which he took up in 1977.

A one-year stint as a production consultant has helped cut down the average.

Outside his own work, he has:

- Served as chairman of the Ceramic Industries Association, and was involved as president in the four-year effort to produce the first industry study report;
- Spent four years on the manufacturing and process engineering committee of the National



Ron Guthrie... "an ability to see clean into something."

- Research Advisory Committee;
- Served as president of the Southern Canterbury Manufacturers' Association;
- Been the first chairman of

the Southern Canterbury Regional Development Council — "the list is so long it's boring".

Aside from the Planning Council, he has now restricted his activities to the Otago-Southland manufacturers.

A family man (remarried with two young children), Guthrie's personal interests range from exploring old mining sites, to carpentry, metal work and wine-making.

Born in Birmingham in 1924 and educated at grammar school, followed by evening classes at Birmingham College of Technology (similar status to a university here), Guthrie served his engineering apprenticeship with Britain's General Electric Co. Ltd.

In that period, he spent five years as a radar mechanic for the Royal Air Force. Some years later, aged 32, he had a chance encounter which led to his resignation as works manager of Jury Holloway in Britain's Brierley Hill to start life Down Under.

"Well, that's to say, the encounter wasn't by chance, but I went to a meeting... (the manager of one of Radiation's manufacturing companies in Britain) asked if anyone at the meeting knew a young production engineer who would be interested in going to Dunedin, New Zealand, to take charge of production at their plant."

Guthrie said he was interested and after spending a few months with the Radiation factories in England, came to New Zealand in June 1956.

"I found that New Zealand workers were just as good as those in Britain, and after spending a month or two within the company learning and looking, I started to put into action various short and medium-term plans which the board agreed to," Guthrie recalls.

"First and foremost we obtained the union's co-operation and introduced work study, work measurement and methods study into the company in order to increase productivity."

Production increased about 30 per cent and designs were modified and product range rationalised to enable cost reduction.

By 1961, Radiation had moved from third place to be the biggest maker of ranges in the country.

Guthrie was responsible for planning and implementing production of what was known as the Thor semi-automatic washing machine. The tooling — which cost in England around £120,000 — was done for £12,000, including purchase and installation of plant. Of 18 modifications recommended by the company, 17 were adopted by Britain.

After nine years with Radiation Guthrie (then joint managing director) was asked to step down for a year to work director. The English board wanted a marketing type as chief executive.

"I didn't want to be number two in an organisation that I had played a substantial part in building up." So he resigned (though he still admits to having a "soft spot" for Radiation).

He got a job with Associated Industrial Consultants Ltd., of London, as a production consultant, doing two jobs for them in 1965 — one in Kaipara, the other in Lower Hutt.

A gloomy thought? Guthrie doesn't think so. He said if we start practicing self-reliance as a country, we'll do all right.

tunity services, the better they think the result will be... and management feels obliged to take notice," Guthrie said.

So Guthrie picked the best brains from within the particular firms and communicated their very constructive ideas to management.

But living in Dunedin at the time, he got tired of commuting to Lower Hutt.

One of 187 applicants for a top position in New Zealand Insulators, Guthrie was chosen for a job which suited him and his background.

By the time he left, 11 years later, the ailing company he found had become highly successful and Temuka was not just "on the road," but also on the seas selling well in both the United States and Australia.

Just before Guthrie left, he was present at the opening of the Regional Development Minister George Gair — a factory extension in stoneware production.

The opening was of great significance, because Guthrie had served as first chairman of the SCRDC and had presented the first regional economic survey undertaken by the Regional Development Council to the Minister.

But it was time to move again. The new owners of McKimling's were determined to realise the company's potential, and about one for retirement approached Guthrie in 1976 "with an offer which I didn't refuse."

"The job has turned out to be quite different from the other jobs which I have had. I have been associated with McKimling's, the depressed state of the building industry has meant the company has had to struggle for sales," he said.

The great advances at McKimling over the last three years, is part of another story. Suffice to say, Guthrie had more than hand in it.

His Planning Council involvement was a natural development from Guthrie's past activities. His capacity to observe and learn along with his frank manner, ably equipped him for the task of formulating strategies for the future.

Even as chairman of the SCRDC, he recalls the first meeting, brought about through Trade and Industry with ACCORD the official co-ordinating committee on regional development.

"Frankly, I was appalled by their negative attitude and their condescending manner toward us 'country cousins'." Some straight talking improved things substantially.

He confessed that he is still surprised that many people — specially officials — are talking about exporting industry to competition "at a time when the world generally is becoming protectionist".

He sticks to the belief that manufacturing in New Zealand should develop on a smaller scale. High freight charges necessarily suggest that manufacturing should take place in units close to the market place.

But, he doesn't immediately subscribe to the form of "fortress New Zealand".

The more specialised, or become, the more dependent on world trade — but we are not well-placed for long-term trade," Guthrie said.

A gloomy thought? Guthrie doesn't think so. He said if we start practicing self-reliance as a country, we'll do all right.

Profile

Insulator firm switches on to successful track

by Rae Mazengarb

NEW Zealand Insulators Limited — the Temuka subsidiary of Cable Price Downer Limited — had nothing much going for it about 15 years ago.

The company's output was mainly in insulators. Other products were in danger of becoming obsolete.

The company didn't have its own sales system or even a bank account. There was a manager who had the wages given to him every week. And the company plodded along, supplying units which another CPD subsidiary took for distribution.

Tudley, after some dramatic diversifying, the company is not only the successful manufacturer of some of the best circuit protection equipment in the world, but its Temuka Stoneware Pottery is a household name.

A buoyant business while others are making hard of the downturn, the company's 1979 sales were the highest ever recorded.

Exports continued to increase (pottery to the United States, electrical products to Malaysia and Trinidad, insulators to Kuwait). Hardly the struggling little company it used to be.

General manager of New Zealand Insulators from 1966 to 1977, Ron Guthrie recalls that the company — like other subsidiaries within the CPD Group — had a great deal of independence, but had to make a good case when it wanted to borrow money or get extra investment from the group.

"At the time we started to make Temukaware, there



Temuka... Guthrie's brainchild.

wasn't a great deal of money available and we had to do it largely from our own resources," Guthrie said. It was probably a good thing "it made us frugal".

Once he had convinced chairman Bill Steele (also director of CPD) that the stoneware project had possibilities, they had to work out how to do it, and how to introduce it to the marketplace.

"My concept was that of a quality product with the natural, almost rustic look, appealing to the more affluent members of the community," he said.

"To be honest... something as good as or better than the Arabia range from Finland."

The industrial porcelain body with which the company made insulators was ideal for the manufacture of stoneware.

They had the technology to do once-fired work in glazing that had to convince the production people that they should do it.

Two staff members, from English pottery firms, were expert at making tableware.

So far as other resources were concerned, the company had little in the way of traditional pottery manufacturing plant. It didn't have a designer, nor a modeller, nor a mould-maker used in such work.

Then it found Jack Laird, now acknowledged as one of New Zealand's foremost designers and potters, and a personal friend of Guthrie.

"We started by making mugs and we made the mugs almost the same way as we made insulators," Guthrie recalls. The company is still doing it. But as things developed, production plant has been added and several pieces are made by casting.

But the characteristics of the Temuka insulator body provided the basis for a quality product in the form of Temuka stoneware. And it was promoted as a "quality" product.

Then sales manager — now general manager — Ross Murray, took up the challenge of marketing the new product.

Rather than try to sell direct, the company distributed through traditional channels. Finding it could compete on price with imported stoneware, it went on to build up what is now the second biggest pottery business in the country.

Guthrie said a great deal of Temuka's success stemmed from the fact that people in the trade genuinely wanted a New Zealand-made quality product.

Continued on Page 22

We'd like to take your best employees away



Showcase season

June-December 1980



MERCURY THEATRE

Auckland's own resident professional stage company.

7 PLAYS FOR THE PRICE OF 5 = 2 PLAYS FREE!

You will see this exciting selection...

Godepall by Stephen Schwartz. June 13-July 5

A Midsummer Night's Dream by William Shakespeare. July 11-August 2

Comedienne by Trevor Griffiths. August 8-30

Once a Catholic by Mary O'Malley. September 5-27

Whose Life is it Anyway? by Brian Clark. October 3-25

Dracula a new rock opera by Ian Mune and Stephen McCurdy. November 28-December 20

PLUS an exciting premier production to be announced. October 31-November 22

AND 8 extra benefits exclusive to Subscribers including Premier presentation of LIMBS modern dance company: special booking priorities and seat prices to Mercury Theatre Showcase Season subscribers ONLY.

Fantastic 30% discount

The most spectacular

BARGAIN in Auckland's theatre history

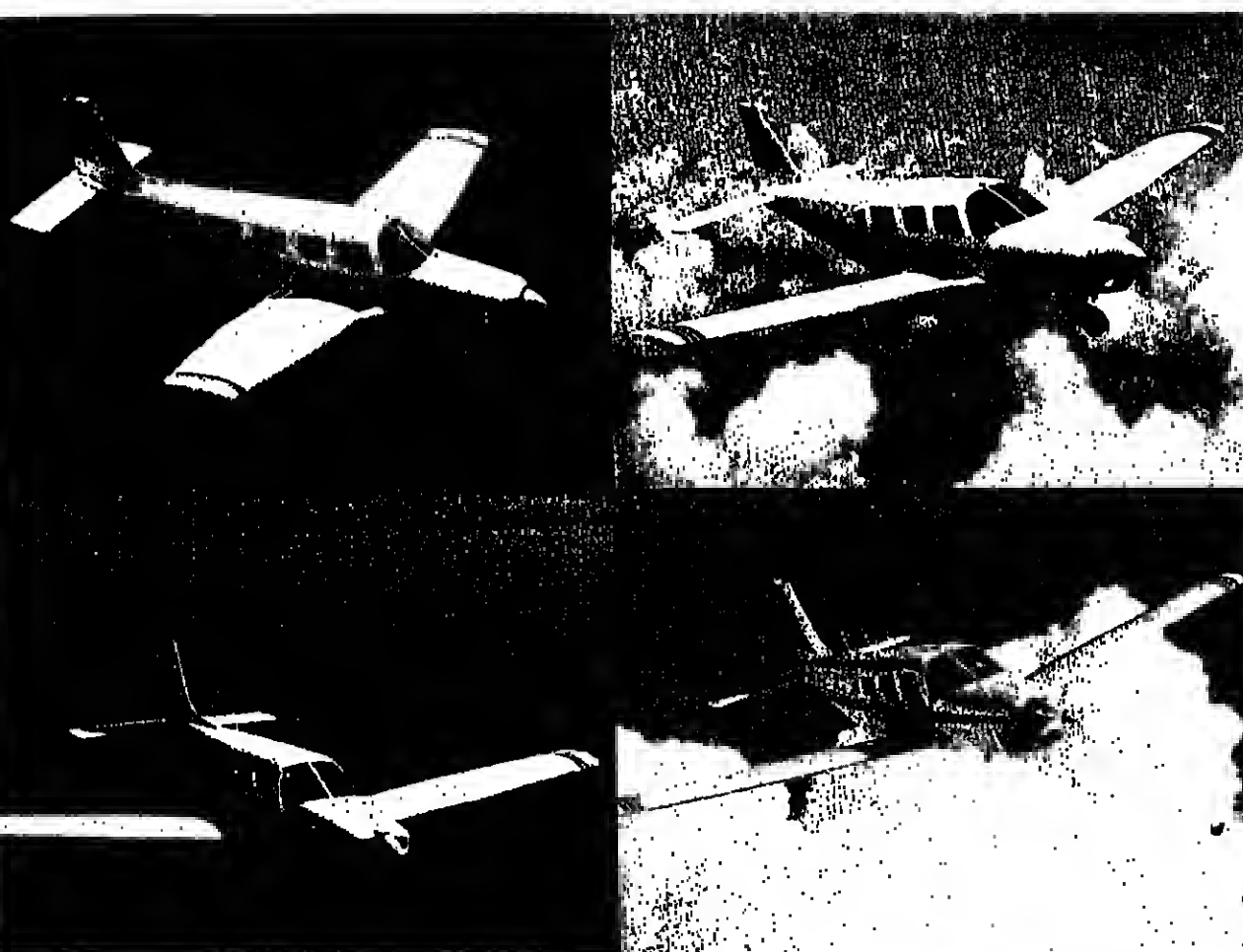
Save \$32 on a pair of tickets

RUSH NOW TO:

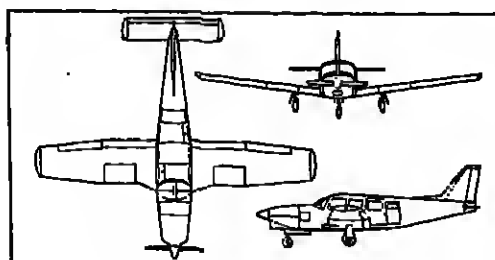
Mercury Theatre P.O. Box 68-257, Newton, Auckland 1
Please send me your full colour brochure with more details about Showcase Season.

Name..... Phone (day).....

Address.....



THE NEW PIPER SARATOGA WIDE-BODIES. THINK OF THEM AS THE 747'S OF SIX-PLACE SINGLES.



TURBO SARATOGA SP 361 kmh/1761 km/701 kg

DISTRIBUTED IN NEW ZEALAND, KINGDOM OF TONGA, WESTERN & AMERICAN SAMOA, FIJI AND COOK ISLANDS, SOLOMON ISLANDS BY AIRWORK (NZ) LIMITED, INTERNATIONAL AIRPORT, CHRISTCHURCH, NEW ZEALAND.

Profile

Continued from Page 21

But it wasn't simply a matter of making and selling. Guthrie recalled the production of the first steak plate.

Sales staff at first refused to take it out and promote it. "A steak plate? It wouldn't sell. It wasn't what people were looking for," they said.

Guthrie told them he didn't

enre whether they thought it would sell or not. He told them to just go out and sell it. It is now one of the biggest sellers in the range.

Temuka was Guthrie's brainchild. But he frankly admits Jack Laird's influence on the stoneware cannot be over-rated. As well as being responsible for the shape of the product, Laird was heavily

involved in the glazing and overall presentation of the product.

Regional development assistance and exports suspension loan assistance were gained for Temuka stoneware. Just before Guthrie left the company in 1977, the then Regional Development Minister George Gair, officiated at the opening of the factory ex-

tensions built for stoneware production.

Temuka has continued to grow in popularity. The first container of pottery was shipped to the United States last year, and marketing methods in Australia have been recently revamped.

But stoneware was only part of the success. It was also moving into other products,

such as Stotz circuit protection equipment, applying the overseas technology here under licence.

Guthrie also initiated deals enabling the company to make HRC fuses.

At that stage it was clear the company's original product was fast becoming obsolete. But they had to persuade the overseas concerns that the

local company had the expertise to manufacture the product.

Something of the same development pattern was followed at Temuka as at Guthrie's previous employment: work study, incentives, methods improvement programmes, job instruction, job relations were all carried out, with the result that sub-

stantial improvements in productivity were achieved.

And then: "we were able to look at exports..." Guthrie said referring to the small insulators and fuses the company sold across the Tasman in competition with the Australian-made product and fuses from Red China.

"Moderate" success in Australia emboldened the com-

pany to look further afield — Hong Kong. Not only did the products suit the market, but the company was able to deliver in small quantities on a regular basis.

And because it was able to do what the customer wanted in the way of modifications, it soon built up a substantial business with the China Light and Power Co of Hong Kong

("to the extent, even, that they used our patterns and reference numbers when calling for tenders for insulators, Guthrie said).

A foray into Trinidad followed. An agent there was able to help the company to gain a substantial share of the market for the Trinidad and Tobago Electricity Commission Insulators and Associated

Equipment. Cable sealing ends were a real success, leading the company to the conclusion it had the technical edge over its rivals. Only Britain and Japan were chief opponents in the line.

Guthrie recalls with pleasure an Australian senior executive telling him the company's product was far

superior to the Australian equivalent. "Yours," he said, "are a little bit more expensive, but they are far better."

Guthrie emphasised that an exporter has to get to know the market — know it, find out what the opposition is doing, why the potential customer is buying what he is buying, modify the product to meet his needs.

"Essentially that was the NZI formula for success in exports — give the customer what he wants."

Company Cars.

The smart money's riding on Datsun total economy.



For total operating economy, Hertz loves Datsun.

You know it. It costs big money to operate a fleet of company cars and light commercial vehicles. And all too often it's good money going after bad.

As fuel and maintenance costs soar, uneconomical, unreliable motor vehicles carve into profitability, relentlessly frustrating your efforts to improve business efficiency, in all areas.

You wouldn't put up with it in your people or systems. So why settle for less than the best in your business transport operation?

Total operating economy.

It starts with real fuel-efficiency. High gas-mileage. The power and

pull you expect without the fuel wastage you currently experience.

At Datsun, real fuel-efficiency is the bottom line of our engineering philosophy. And it has become a legend in its own time.

But total operating economy goes beyond impressive gas-mileage — to the heart of your business vehicle needs.

Reliability — a priceless asset.

Whether you run six vehicles or 60, each one has a job to do. If it's constantly in for repairs and maintenance, you've got an absenteeism problem you can ill afford.

Companies that operate Datsun

cars and light commercials rarely experience such problems. We know, because they tell us so. And because they continue to update their fleets with Datsun vehicles.

It not only saves them costly vehicle downtime, but also saves big money, on repairs, servicing and parts replacement.

The story's the same worldwide. A recent U.K. survey found that Datsuns spend a lot less time in workshops for warranty repairs than any other make appraised. And that survey included some of Europe's top brands.

Datsun reliability. Don't just take our word for it. Talk to the companies with Datsun fleets. And ask your Community Datsun Dealer for case histories. You can't help but be impressed.

All the fringe benefits.

Even the most hard-headed businessman wants some pleasure in his driving. That's why, for all Datsun's dedication to total operating economy, no effort is spared to make every Datsun vehicle a model of comfort, convenience and enjoyable handling.

Plush, comfortable seating, designed in New Zealand for New Zealanders. A host of convenience extras included in the basic price. And a quiet, cushioned ride on surefooted suspension that's equal to all road conditions.

We don't skimp to help you save.

A Datsun for every demand.

Whatever your business motoring needs, there's a Datsun that's more than equal to the job — including special options and configurations to suit special requirements.

Current new models:
Datsun 260C Custom Deluxe Sedan (auto)
Datsun 220C Diesel Sedan (manual)
Datsun 200B ZX Sedan (auto/manual)
Datsun 200B Sedan, Wagon, Van (auto/manual)
Datsun 160B Sedan (manual)
Datsun Sunny 1400 SGX Coupe (manual 5-speed)
Datsun Sunny 120Y Sedan (auto/manual)
Datsun Sunny 120Y Wagon, Van (manual)
Datsun Cherry 100 A Sedan (manual)



One of Lion Brewery's 35 Datsun 200B station wagons at work.



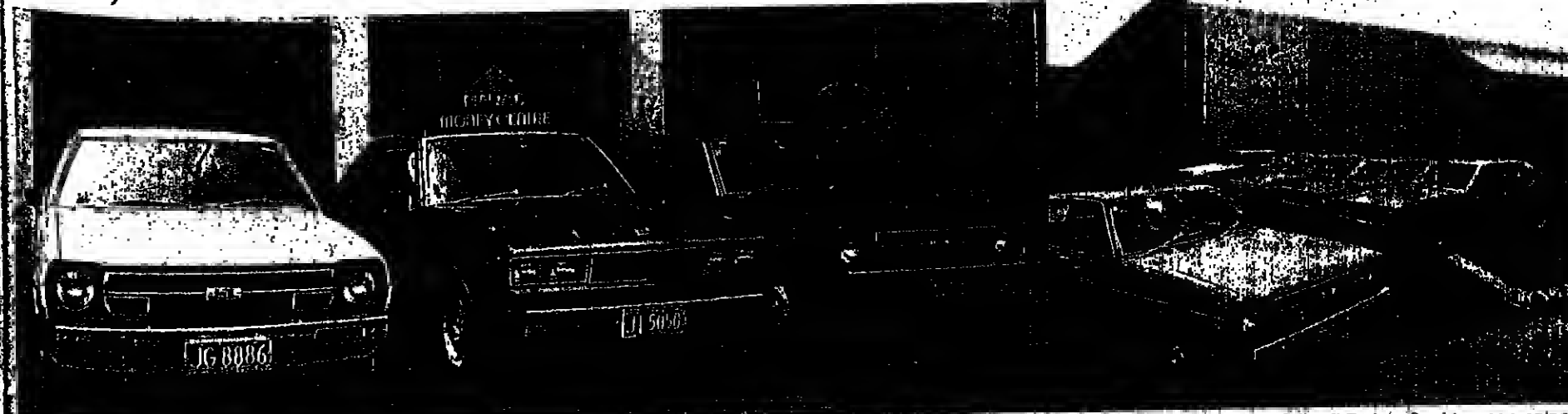
Taximen of Auckland's Western Cabs Society hail the unique big-car economy of Datsun's 220C Diesel.

Datsun One-tonne Utility (petrol)
Datsun One-tonne Utility (diesel)
Nissan Patrol 4 Wheel Drive
Nissan Caball 2½ tonne
(Full range of body options available on all commercial vehicles)

Make an executive decision.

If your current fleet is undermining your business' efforts to achieve greater profitability, act now. Make your next replacement vehicle a Datsun. Then compare its cost-efficiency against the performance of your existing vehicles.

Seeing is believing.



Mac's nationwide Datsun fleet includes the latest Sunny and 200B models.

Importer William H. Terry & Co's all Datsun fleet keeps running costs down.

MSUS 500

Profile

Let's talk business.

Your Community Datsun Dealer can arrange special purchase terms — including attractive lease arrangements that help conserve your capital and qualify for tax deductions.

He'll help you select the models that best suit your needs, and expedite delivery.

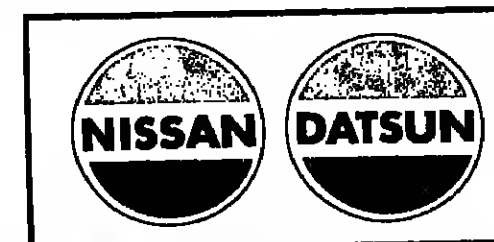
And he'll provide first-class after-sales service to keep your business fleet in AI operating condition.

Nobody demands more from a Datsun than we do.

You and your company work hard for your money. At Datsun, we work hard to help you keep it. We are dedicated, driven, to deliver the greatest economy of all. Quality.

It's an approach that's very good for business. Ours. And yours. And today, more than ever, there's no smarter business transport investment than Datsun!

Total operating economy. Demand no less.



Nissan Motor Distributors (NZ) Ltd. L.M.V.D.

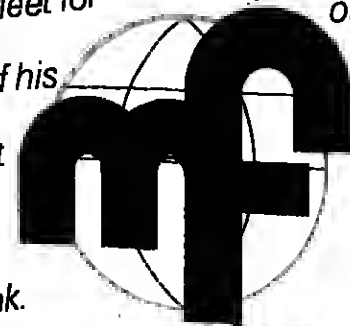
NOBODY DEMANDS MORE
DATSUN
WE ARE DRIVEN



Meet one of the Mighty Freezer Fleet

At 3.45 am in Auckland, he'll climb into the cab, grip the big wheel and turn the key. Next day, he'll cruise on into Christchurch. And deliver a valuable cargo of refrigerated perishables. In perfect condition. Bang on time. But then this bloke's been driving one of the 44 refrigerated trucks in the Modern Freighters fleet for a good many of their 20 years. Although he knows the roads like the back of his hand, he sets a pace that's safe. Yet whatever you want, wherever you want it from the 'North Cape to Bluff', just state a deadline. And it's a sure bet that he'll deliver the goods on time. Everytime. At the end of the run, he'll be needing a break.

We deliver the goods



MODERN FREIGHTERS LTD.
Phone: 85-017 Levin, 44-733 Christchurch
84-471 Papatoetoe.

But the goods in the refrigerated compartment will arrive in top condition. As fresh as the moment they were loaded. And that's because the guy up front looked after the goods in the back. If your produce demands the care which you feel only you can give, call Modern Freighters for a no obligation quote on the alternative... and set the wheels in motion.

THE complete "cashless society" will never come to New Zealand, according to Pat Keppel, new managing director of Chubb New Zealand Limited. Keppel maintained that "credit cards and bank-type cards will be used only by a section of the shopping population and many people will continue to pay in hard cash". The accelerating use of credit cards creates a new security risk for retailers

whose only record of the transaction could be a little slip of paper. Keppel queries "what happens if they lose that? They may have no other proof of the transaction and many people would never query not being charged for their purchase". Keppel argues that retailers must give their records of credit card purchases the same physical protection as they should for hard cash. Keppel is the first New Zealander to head Chubbs here. This reflects the group's intention to have local people

heading local companies.

Down-to-earth security assessments come easily to Keppel, who has spent 22 years in the field. He started as a police cadet in 1958, rising through the ranks to be appointed national crime prevention co-ordinator in 1973.

Keppel left the Police Department to join Chubbs in 1973, gaining experience in the areas of fire protection, lock services and bank security.

He said that the Industry Security Association "earnestly supports the police efforts to deal with the criminal elements and they are very appreciative for the assistance the police can provide in return".

Chubbs supports other industry groups, specially the insurance fraternity, in endeavouring to control the total cost of crime to the country.

Chubbs has been established in New Zealand since 1961 and employs a staff of 150.

Many are employed in the company's Porirua factory, which makes safes and fire protection cabinets for paper and computer records to international specifications. Many are being exported.

The world-wide turnover of the Chubb Group is \$501 million. The local branch is a subsidiary of the Australian company, which has a turnover of \$23 million.

Keppel said: "Proportionate to size, this country contributes a substantial proportion to the turnover."

Keppel had analysed figures to show that, over the 10 years, crimes against property have shown an alarming increase. He said many businesses had a lax attitude toward their security

until "they were hit".

The emergence of the micro-processor and "chips" is fast becoming an aid in the design and capability of computers for use in the security field. It also allows the security industry to provide equipment at reasonable price and costs of "add-on" items would be reduced he said.

Noting that many companies were becoming dependent on mini-computers and word processors, Keppel commented: "In spite of their dependence they do not give sufficient thought to the protection of the vital stored information and many of them are wide open to crippling losses in the event of fire or vandalism".

It is possible to quickly replace machines, but the same cannot be said for information, nor can one adequately insure to compensate for the loss.

Keppel saw the security industry as providing tremendous growth in the future, but it remains a highly competitive business.

He said the explosive growth of the industry attracted many companies into the field who provided cheap products but did not have the long term capacity to provide an on-going service, usually dropping out of the field leaving disgruntled customers.

Keppel said that Chubbs provided protection to people who wished to remain in business and were prepared to pay the costs of adequate security. He said Chubbs could not prevent the incidence of crime, but at least companies can avoid becoming a statistic.

Keppel, 37, is married with two young daughters, and maintains his 188cm 95kg frame "trim" by jogging.

Hard-nosed broking for energy projects

by John Sloan

THE enormous financial and resource risks inherent in the high technology of modern energy development and exploration were recently outlined in Auckland by chairman of the Sedgwick Forbes Bland Payne Group, Neil Mills.

Sedgwick Forbes, one of the largest insurance brokers in the world, has a New Zealand operation that already has considerable experience in the complex energy field.

Mills, speaking at a seminar organised jointly by the Auckland Manufacturers' Association and Sedgwick Forbes, suggested that the new technologies were thoroughly understood by only a few people and were difficult to communicate to the lay person. "When people are pushing out the frontiers of knowledge at an ever accelerating pace, they are encroaching on things unknown, so the risks are that much greater," he said.

Illustrating the extent of potential hazards, Mills noted the possible social consequences and the huge investment risks. Lengthy delays in machinery repair following an accident, unknown aspects of some chemical reactions subsequent to a loss of power or cooling water, a delay in comprehension of a product's side effects were some of the examples of specialised risks engendered by energy development.

Energy Minister Bill Birch, earlier in the seminar, discussed plans for exploration and controlled use of the country's energy resources. Mills agreed with the minister that New Zealand's energy strategy would open up new opportunities in the next two decades.

"The changes which are envisaged in the energy programme will not be made for the sake of change, but necessity," Mills said. "They force on the country very big changes in thinking and for many, very big changes in lifestyle."

They also expose the country to the risks of capital investment and social consequence that must be fully

identified and planned for at an early stage.

This requires a level of knowledge and understanding by insurance underwriters that matches the technology involved. Mills said: "Speed of change does not sit easily with one of the fundamental requirements of established insurance techniques, namely an extended period of experience on which to base reliable underwriting judgments."

"For example, this country will shortly be embarking on an ambitious programme to convert natural gas via methanol into synthetic petroleum by a process which has never been tried in a full scale plant before. Underwriters will need to be briefed on the potential hazards as they appear and then be persuaded to give it a try."

Mills commented on the novelty of science-based technologies and the difficulty of communication tending to induce hesitation amongst many underwriters. "This can only be clearly a wry if specialist knowledge can be made available by someone speaking the language of insurance."

The role of big brokers is to design and negotiate protection at all levels from the major investments in plant and systems to smaller suppliers and distributors.

Such catastrophic risks cannot be insured totally here and the bulk of the insurance is carried by overseas underwriters.

But with the Government's emphasis on encouraging the maximum retention of premiums within New Zealand, some hard-nosed broking will be done.

The classic broking problem might emerge; the market rate established by experienced overseas underwriters might be lower than the rate desired by the insurers here. So a compromise would need to be hammered out to permit local insurers to share in the vast new multi-million complexes coming our way.

The retention here will be peanuts compared to the total sums insured at risk. The international insurance market alone has the capacity to absorb and spread such massive, catastrophic risks on a global basis.

SYSTEM 7
is coming...

BRIGHT IDEA the Reidrubber Flail Pad that outlasts steel

The manufacturer of Green's Agricultural Machinery was faced with a major problem with the flails used in the Silage and Scrub-Mowing Units. The steel connectors which linked the flails to the revolving shaft were unable to withstand the punishing wear and abrasion. Steel connectors had a short, unhappy life.

We suggested rubber connectors. But could rubber out-perform steel in a torture situation such as this? To prove it would, we developed a rubber-pad connector with built-in layers of fabric reinforcing. The result? Greater flail efficiency and a connector-unit with many times the life of steel.



If you have a problem with your flails or connectors, let Reidrubber come up with the solution. Better still, see us in the design stage. This is where we could save you big money. Reidrubber are specialists with decades of experience. We're full of bright ideas that really work, and they're yours for the asking.

FELTEX RUBBER

Reidrubber Industrial Rubber and Plastic Division, P.O. Box 100, 1001 Main Road, Auckland. Tel: 09-308 1000. Fax: 09-308 1001.

Dairy industry churns up a butter strategy

by Belinda Gillespie

THE Dairy Board deliberated long and hard before raising the price of butter last week. From April 1, the board took over the local market and the price, previously depressed

for political reasons, was the first thing to change. Changes in presentation and service in the butter market are inevitable, according to John Goldfinch, manager of the Dairy Industry Information Service. For 40 years the Govern-

ment had fixed the price of butter, ensuring that producers for the domestic market got returns as good as export producers. In the last few years, because of considerations such as the effect of the butter price on the Consumer Price

Index, butter prices had been fixed at levels well below the average export return, and the deficit made up from the Public Account. Before the latest price rise, the board had to consider both consumer and producer interests, with a view to getting the

best return in the long run. The level of output, in particular, had to be considered in setting the new prices. If a price rise causes a fall in consumption, more butter has to be exported - and difficulties with the British market, which yields the best return for the producer, mean it will have to be sold at relatively low prices elsewhere.

So the new price was not only on the basis of what the market will stand but "the sum will be done in the light of various considerations", Goldfinch said.

An increase of 10c up to 75c for 500g had been suggested last month by Dairy Board chairman Ken Mehtens, as being the price the local market could absorb.

The Government had paid out \$7 million to help prevent an immediate over-large increase in butter price to its true cost of 93c for a 500g pack. But with the end of the subsidy a steady rise to this level is inevitable.

Butter, from now on, enters the same price area as margarine, which at Woolworths sells for 99c a pack, and on special at about 89c.

Eventually, reflecting its true energy cost as an animal product, compared with the cheaper vegetable-based margarine, butter must overtake margarine to become the expensive food it is in other parts of the world - about \$1.20 for 500g in Britain and up to \$1.50 in other parts of Europe.

The Dairy Board, along with other dairy interests, has hedged its bets by taking a shareholding in ASPAK, the Auckland-based producer of Meadowlea margarine, which enjoys second share of the New Zealand market.

The board's stake in margarine does not express a lack of confidence in butter, but "as belief that the competitor has come to stay".

Combining vegetable and animal fats to produce an item with the spreadability of margarine but the flavour of butter, has not been tried in New Zealand.

The Australian Dairy Corporation's product, Dairysoft, was such a mixture, but it hadn't been a great success and the raw materials had to be subsidised. The board regards it as a

"doubtful" proposition as it does not see it as a way of getting a meaningful quantity of butter sold.

Flavour remains the major selling-point of butter, one which margarine has been unable to match, despite other advantages.

The Margarine Act was changed in 1973 to allow the addition of yellow colouring to polyunsaturated margarine, putting it on par with butter as a spread for the first time.

Since then, vegetable consumption has risen by 5 per cent a day - enough to offset the drop in fat intake due to a decline in butter consumption, which had almost begun before margarine was introduced.

Ken Mehtens, talking to dairy farmers round the country last month, said the imminent price rise in butter meant that changes in presentation and distribution were essential.

In most areas, except Auckland and parts of the Bay of Plenty, the dairy companies distribute their own butter. He invited the industry to forward its own proposals to improve butter's chances in an era of stiff competition.

Butter consumption has been almost static for the last two years, and the industry seemed to accept the need for change in order to halt the decline.

Goldfinch said the effect of Government price control had disadvantaged the industry in their effect on manufacturers and distributors of butter.

They had tended to keep margins at the lowest possible levels at all stages of packaging and handling the product. The tendency had been to "beat the average" at all levels - in a territory where a brand was dominant everything possible was done to protect it, so that the service presentation angle was invariably minimised.

The proposed changes in butter marketing are still a secret - though they would be "nothing dramatic". Butter is not likely to be sold in tubs for example - despite a recent suggestion "which had no connection with the board's collective view", Goldfinch said.

Margarine maintains false aura of health

by Belinda Gillespie

THE medical profession forced a change in the Margarine Act in 1973 because it thought that more polyunsaturated oil would reduce New Zealanders' blood cholesterol levels. But it has not been proved that switching from one to the other does the trick, said Heart Foundation director David Hey.

In fact, butter and margarine are the same in calorie value, though slimmers cling to the belief that butter is more fattening.

The advent of easy-to-spread margarine, with its unwarrantedly healthy image, has accelerated the trend away from butter.

But changes in food habits such as less home-baking, fewer packed lunches, and less

food preparation at home generally, had already initiated the trend.

The Dairy Board's own efforts to increase cheese consumption, which has almost doubled since the big campaign began in 1973, have possibly resulted in a further drop in butter sales.

New Zealanders get about 40 per cent of their energy needs from fat in the diet. This level has been steady for 50 years and matches similar countries, including Australia, Britain and the United States.

Dramatic increases in the consumption of ice-cream and cheese, both rich sources of dairy fat, seem to have been compensated for by a swing away from butter, while all vegetable oils have increased only slightly at total fat consumption.

Social bans encroach on smokers' tenacity

by Belinda Gillespie

THE only thing ex-smokers have in common is their former habit. What makes people give up smoking remains as obscure as what made them take it up in the first place.

Ex-smokers, according to a local study, are those who have smoked a minimum of one cigarette a day for more than a year, who no longer smoke and have not done so for at least three months.

Just over a third of the ex-smokers surveyed had health reasons for giving up. These included instructions from the doctor, fear of future ill-health, symptoms such as coughing or phlegm and decreased physical fitness.

One of the most frequent reasons given was "loss of interest in smoking or thinking of it as a silly habit".

Only a few gave up because of unfavourable publicity, and even fewer for financial reasons. Few smokers were influenced by family pressure, had their consciences smitten by setting a bad example to their children, or worried by difficulties in smoking at work.

The results here conflict with studies elsewhere, which have tended to show about 50 per cent giving up for health

reasons. The authors reasoned that it is difficult to compare studies because of the different options open to the respondents. They still believe "a significant number of individual cigarette smokers will respond to clearly demonstrated evidence that their lungs have been damaged by smoking".

Campaigns to reduce ill-health with which smoking is associated depend on persuading people either not to start smoking, or to give it up. The writers call for a continued appraisal of the reasons given for stopping smoking, in order to plan anti-smoking campaigns.

The more people give up smoking, the more tobacco consumption seems to stay the same. In an analysis of the 1976 census, which for the first time included a question on smoking habits, National Heart Foundation director David Hay said that "cigarette smoking in this country is probably less prevalent than in the past, and the figures compare favourably with those of other countries". He added that the high levels of smoking among young people, particularly women, is a major health problem.



"Harold's only waiting for the rain to stop, then he's going to rig up a solar heating system."

BUSINESS WANTED SUBSTANTIAL FUNDS AVAILABLE

We require a large well-established business preferably located in Auckland or the Auckland province.

For a preliminary confidential discussion please contact:-

Chase Holdings Limited
P.O. Box 26232
Epsom
Auckland
Phone 687-166



We make your office work better

SUSPENSION FILING, ACCOUNTING & ANALYSIS, RING BINDERS, SASCO CHARTING, VISIBLE RECORDS, COMPUTER STORAGE, BUSINESS PRESENTATION AIDS, FLEETING MEMO SETS.

Enquire now at your local stationer or Twinlock New Zealand Limited. Auckland: P.O. Box 1082, Tel: 775-164. Wellington: P.O. Box 38-482 Petone. Tel: 682-540. Christchurch: P.O. Box 1969. Tel: 799-953.



Trigon Plastics Ltd, recipients of the Government's Export Payment for achievement, now export in excess of \$1.25m annually. These exports are largely of technical films and the same technology also provides NZ's primary industries with high quality modern packaging.

J.L. Primrose Ltd build and export steel-hulled commercial craft to Papua New Guinea and other Pacific Basin countries. The acquisition of sophisticated plant has enabled the company to broaden its export market horizons and will further assist in the construction of more advanced vessels to meet market requirements.

G.J.B. Products Ltd, Export Achievement Award Winner, is the only company in the world producing in one factory a complete range of darts and dartboards and currently exports to 13 countries. New plant and technology will ensure continued competitiveness and export growth.

DFC is helping them export more

To survive we must export more. So we rely on 'The Export Makers' - like Trigon Plastics, J.L. Primrose, and G.J.B. Products developing technology and new export markets. The role of the Development Finance Corporation of New Zealand (DFC) is to provide finance and advisory services to 'The Export Makers'.

The full range of development banking services offered by DFC include:

- Term Loans
- Export Suspensory Loans
- Export Finance
- Regional Development Suspensory Loans
- Hire Purchase Finance
- Asset Leasing
- Equity Participation
- Bonding for New Zealand Contractors
- Guarantees
- Applied Technology Finance
- Tourist Accommodation Assistance
- Pacific Islands Industrial Development Scheme
- Foreign Currency Advisory Services

For further details, contact your nearest DFC office
AUCKLAND: phone 32-049
HAMILTON: phone 84-079
WELLINGTON: phone 724-974
CHRISTCHURCH: phone 68-759
DUNEDIN: phone 741-831



dfc New Zealand's development bank

TO MEET YOUR BEARING NEEDS MEET US!



Whatever you are designing, maintaining or repairing, you want a long run for your time and effort. And Timken tapered roller bearings ensure just that. Throughout the world, they are manufactured to consistent standards of design and quality. So even when working with imported equipment, you know that Timken bearings bought in New Zealand will fit. But it's not quality at any price. From off the shelf bearings to suit thousands of general applications to custom designed bearings for

special purposes, you'll find that investing in the best costs less in the long run. Particularly when you add in a number of other factors. Availability for example. What we end our Authorised Distributors keep on the shelf can keep you off the hook when it comes to prompt supply of bearings. Qualified sales and service engineers are also available to help you with design, installation and maintenance problems. Reliability is a word we'd like to talk to you about very soon.

Authorised Timken Bearing Distributors:
Bearing Service Company Ltd., Auckland
Niven Bearings Limited, Auckland.

TIMKEN
TAPERED ROLLER BEARINGS

4192ATX

The TIMKEN Bearing Range is Available from N.Z's Largest Network of Bearing Service Centres

There's a BEARING SERVICE CENTRE at every branch of Motor Specialities Limited and Andrews and Beavan Limited, offering exceptional service for the supply of TIMKEN Taper Roller Bearings, RHP ball and roller bearings - and all associated products. 60 nationwide BEARING SERVICE CENTRES...thoroughly efficient...minimum delay...and a service that cannot be beaten. There's a Bearing Service Centre near you!

